



STATUS & INSIGHT

KOREAN FILM INDUSTRY 2018

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2018

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ABBREVIATION OF MAJOR DISTRIBUTORS

CJ ENM Corp.: CJ ENM
Lotte Shopping Lotte Entertainment Ltd.: Lotte
Showbox Corp.: Showbox
The Walt Disney Company Korea Ltd.: Disney
Universal Pictures International Korea Ltd: UPI
Megabox Inc. Plus M: Megabox
Next Entertainment World Co., Ltd. (NEW): NEW
Warner Bros. Korea: Warner
20th Century Fox Korea: Fox
Sony Interactive Entertainment Korea Inc.: Sony

I. OVERVIEW

〈2018 Korean Film Industry〉 report did not paint a rosy picture for the current status of the Korean film industry. With the cinema-centric conventions of the film industry meeting its limits in a certain sense, now seems to be a time where the stakeholders of the film industry must search collectively for ways to respond to the rapid changes of the industry and to maximize the strength of films as metamedia in the age of content / platform convergence.

Market Volume

The number of total admissions in 2018 reached 216.39 million, 1.6% less than the previous year in terms of numbers. This decrease, however, is not significant, as the admission figure for the past 6 years has remained relatively stable with slight fluctuations after the 210 million mark in 2013. Film sales have continued the trend of slight increase (KRW 1.8140 trillion), but this reflects an increase in special screening and ticket fees centered around multiplex chains in April rather than a structural growth of the market itself. With the steep decline in population growth, bordering on the negative, and the fact that Korean film attendance per person is already one of the highest in the world, market growth in the form of film admissions that was shown in the past is not likely to be observed in the future. The rise of different activities other than films is also an element of threat to the film industry. The digital and online film market, on the contrary, reached KRW 473.9 billion, an 8.6% increase from the previous year. Considering the fact that current

measurements of the online film market fail to reflect the multitude of services available in the market, the actual size of the online film market in Korea is expected to be greater than this estimate. In terms of exports, film export itself maintained similar levels from previous years. However, service exports, having relied absolutely on the Chinese market, halved, reducing the total sales by 32% to KRW 88.5 billion. Overall, the total volume of the Korean film market in 2018¹⁾ was estimated at KRW 2.3764 trillion, reflecting an increase of 2.1% from the previous years.

Underwhelming Performance of Korean Films

In 2018, Korean films accounted for 50.9% of the total admissions in the theater, which held up the 50% boundary for 8 consecutive years and seemed to show, at least on the surface, that there were no problems associated with their performance. However, a closer examination reveals that Korean films performed quite underwhelmingly in 2018, and that both commercial films and independent·art films showed this tendency. While the film 〈Along with the Gods: The Last 49 Days〉 broke a number of records in its second consecutive release since 2017, other heavy-budget commercial films capitalizing on the high seasons of New Year’s, summer vacation, Chuseok, and end-of-the-year periods failed to perform well, both critically and financially. An informal survey of the

film budget in Korean commercial film conducted in 2018 showed that the average production budget of 40 films with over KRW 3 billion in budget was KRW 7.9 billion, an increase of KRW 0.57 billion from the previous year. In particular, 2018 saw 5 more films costing over KRW 8 billion in pure production costs than the previous year. An estimate of their ROI put the profitability of such films on a sizable crash. Of course, this trend is only backed by estimates and will no doubt see some improvement once actual figures are included into the calculation²⁾. Nevertheless, the fact that most Korean commercial films failed to perform even beyond their break-even point and that their critical performances were also found to be unsatisfactory is certainly a worrisome development. The fact that mid- to low-budget films between KRW 3 to 5 billion showed a miniscule increase in the ROI should be a focus on a comprehensive retrospection on how the Korean film production has fared in 2018. Such an abysmal performance extended to independent·art films: 113 Korean independent·art films released in 2018 managed to gather only 1.10 million in box office, 0.5% of the total admissions. The documentary film 〈Intention〉 accounted for half of that figure, or 0.54 million, which shows that 112 independent·art films shared 0.56 million moviegoers between them. That is even less than a day’s figure for successful commercial films. Along with the continued calls for public support toward production and distribution of such films, a discussion on the new future and sustainability of independent films seems to also be required for the health of the Korean film industry.

Major Movements and Players within the Industry

2018 did not see any changes to the fundamental structure of the Korean film industry, or the vertical organization of major film companies from production to distribution and screening. Likewise, there were no changes to the trend of centralization of screening and distribution markets. On the contrary, NEW, the latest newcomer to join the distribution and investment market in 2017, expanded the number of its CineQ theaters to 5, perhaps signaling its move to rise as the fourth multiplex giant of the Korean film industry. Also of note is CJ ENM’s descent from its position of absolute dominance from 2003 to 2017, ending up in third place for the first time due to the poor performance of its projects and the excellent performance of its competitors. Of course, it is too early to draw any conclusions about CJ ENM’s performance in the Korean market based on its performance in 2018 alone. CJ ENM was launched in 2018 through a merger of CJ E&M and CJ O Shopping in a bid to expand the media content and platform projects to the area of merchandising.³⁾ A comparison of the market capitalization in late 2018 shows that CJ CGV, the largest cinema company in Korea, has only 1/3 of the CJ affiliate TV drama producer Studio Dragon, which in turn demonstrates CJ’s interpretation of the future of media content industry. 2018 was also characterized by the entrance of new players such as Merry Christmas, Acemaker Movie Works, and Haengnam to the distribution market, raising expectations for their activities from 2019

¹ The total volume of the Korean film market, as reported by the Korean Film Council, refers to the sum of 1) sales from film tickets sold at the theater, 2) sales from digital and online market (centered around TV VOD), and 3) overseas sales (film and service export). Strictly speaking, the volume of Korean film industry itself should include all sales generated by companies within the market. As such, said volume is estimated to be much greater than the estimate provided here. In reference, the 2017 〈Korean Film Industry Survey〉 conducted by the Korean Film Council estimated the total volume of the market as KRW 5.4947 trillion.

² The informal production cost survey conducted by the Korean Film Council, conducted at the beginning of each year that, because of its timeframe, includes many films that did not pass through the primary balancing stages. In such a case, the survey uses the budget as a stand-in for the actual figures, which prevents the survey from accounting for the additional costs. In the commercial film ROI survey, conducted concurrently to the informal production cost survey, film rental sales are calculated by multiplying the total admissions figure of the Korean commercial films with previous year’s average film rental sales per person. Consequently, a change in the film rental sales figure per person would mean that film rental sales as a whole would differ from the estimate. This is particularly significant as the average ticket cost rose by KRW 361 to KRW 8,286 in 2018 (KRW 7,989 in 2017), which is expected to have increased the overall film sales for this year. Furthermore, fees and other costs (including incentives) are also calculated by multiplying the ratio of previous year’s fees and other costs by the estimated total sales of the year, and thus may be different from the estimated costs later on. For further details, please refer to 2. Detailed Summary and ‘Production Costs and Estimated ROIs for Korean Films’.

³ Actual data suggests that films only amount to 5.5% of the total sales of CJ ENM, and that most of its sales stem from media or commerce projects. From Korea Investment & Securities Co., Ltd corporate analysis data, September 18, 2018

onward. Such developments show that the Korean film industry may be standing at the edge of a zero-sum game between limited markets or a new way out through new movies.

Film Production in the 52-hour Working Week

After the revised Labor Standards Act was passed by the National Assembly in February 2018, its after-effects were felt across the Korean society and naturally the film industry as well. The exclusion of the film industry from the special cases and the subsequent enforcement of the 52-hour working week resulted in the explosive surfacing of many problems hidden within Korean film production. And even though the year’s discussions and arguments have not yielded any fruitful results, the actual enforcement of the law planned in 2020 means that the Korean film industry must find acceptable solutions to this dilemma within this year.

#MeToo and Gender Equality in Korean

Films

2018 also saw the discussions of abuse and inequality within the Korean film industry with the continuation of the #MeToo movement. Testimonials from victims of such abuse forced many male members of the industry to cease their public activity, and in some cases a completed film was filmed again in the wake of testimonials.

March 2018 saw the establishment of the Korean Film Gender Equality Center Deun Deun, an agency dedicated to supporting the victims of sexual abuse and prevention of sexual abuse within the film industry. Deun Deun was followed by the establishment of the Sub-committee on Gender Equality under the Korean Film Council in August, which laid the basis for macro-level policies for gender equality. These discussions in 2018 have created plans for a mandatory quota of female reviewers (more than 40-50%) in Korean Film Council’s project support reviews and a mandatory gender ratio report submitted from the recipients at the final review report.

Summary of 2018 Korean Film Industry

► Box Office

2018’s theater market did not deviate from its trend of low growth. The total admissions figure showed a reduction of 1.6% to 216.39 million (219.87 million in previous year), while the total film sales figure reached KRW 1.8140 trillion, a 3.3% increase from the previous year (KRW 1.7566 trillion), its highest record. The average ticket cost for the year 2018 was KRW 8,383, reflecting an increase

of 4.9% from the previous year (KRW 7,989). This was analyzed as the cause of the general increase in theater sales. The total admissions figure for Korean films showed a reduction of 3.3% to 110.15 million (113.90 million in previous year), while the total film sales figure reached KRW 912.8 billion, a 1.1% increase from the previous year (KRW 902.7 billion). Market share of the Korean films ended at 50.9% with a decrease of 0.9% from the previous

year, successfully maintaining the slight majority it has enjoyed for 8 years since 2011. The average number of films seen per capita was tallied at 4.18, reflecting a reduction of 0.07 over the previous year. However, Korea still has one of the highest average number of films seen per capita, which seems to indicate that the film industry will maintain its low-growth trend without large changes. Distributor market share ranking reflected a significant change with Lotte’s ascent to first place with 17.1% of the shares from its second place in the previous year, followed by Disney’s outstanding performance of 13.9% in second place. CJ ENM, the undisputed leader of the market for 15 years, was relegated to third place with a 13.3% share.

► Market Concentration

2018’s screening market did not deviate from the trend of high concentration (HHI 3,610) of the largest (CR1) and the 3 largest companies (CR3) accounting for 50% and 97% of screenings respectively. Future changes from this trend remain highly unlikely. If a distinction is made between direct multiplex and contract theaters, market concentration indicators tend to fall (CR1 39.9, CR3 76.0, HHI 2,353). The distribution market reflected a slight increase in concentration, even though the market remains relatively dispersed compared to the screening market (CR1 16.9, CR3 44.3, HHI 1,030). However, concentration in Korean film distribution remains significantly higher than the market average (CR1 25.8, CR3 69.5, HHI 1,871).

An examination of the film screening slots through the screening ratio reveals that the share of films ranking first to third in daily screening ratio has consistently increased over

the past few years, eventually reaching 67.5% in 2018. The average share of the first to third places for the last five years stand at 63.5%, demonstrating the undeniable concentration of film screening slots to a select number of films. There were 9 films that had more than a 40% screening ratio per day in 2018. 〈Avengers: Infinity War〉had 21 days where its share remained over 40%, with the highest share reaching 77.4%. 〈Along with the Gods: The Last 49 Days〉started with a 53.3% share and reached 59% in its fourth day, becoming the highest grossing film of 2018 with 12 million admissions.

► Independent · Art Films

A total of 496 independent·art films were released in 2018. While the number of films released remained similar to the previous year, 2018 was also marked by a sharp drop in the number of admissions (-12.3%). This trend appears especially dangerous to the health of the Korean independent·art films, as 113 Korean-produced independent·art films accounted for only 1.1 million admissions, or 12.9% of the total. This is only 0.5% of total admissions in 2018, half of the previous 1% share that independent·art films managed to maintain for the previous 3 years.

The highest grossing independent-art film in 2018 was the sleeper hit 〈What Happened to Monday〉. Only 15 films had more than 100,000 admissions in 2018, and the documentary film 〈Intention〉was the only Korean film among them. 〈Microhabitat〉was the second highest grossing Korean independent-art film in 2018, but its performance of 59,110 would have only been in ninth place in terms of the previous year’s records.

► Digital Online Markets

The size of the digital and online market in 2018 reached KRW 473.9 billion, an increase of 8.6% from the previous year thanks to the growth of TV VOD markets through IPTV and digital cable TV. Even though the Internet VOD market has seen much growth in the wake of fierce competitions between domestic and international OTT services, the Korean digital and online film market is still dominated by TV VOD and its share of 83%. The highest grossing film in the TV VOD market was 〈Along with the Gods - The Two Worlds〉 with more than 1.7 million views, followed by strong performances in crime dramas and action films. The Internet VOD market saw a reduction in total sales of 3.2% due to tightened regulations on OSP. The package market (DVD and Blu-ray) also saw the continuation of its dwindling performance.

► Exports

2018 saw significant damages to the export prospects of Korean films from macropolitical events. 2018’s export sales crashed to USD 80.36 million, a 32.3% decrease from the previous year. While the export of films (USD 41.61 million) stayed the same as the previous year, service export decreased by 50.4% from the previous year (USD 78.06 million to USD 38.76 million). This reflected the over-reliance of the Korean firms on the Chinese market that drove most of the expanding technological services industry. Taiwan topped the export market for the first time, and 2018 once again reaffirmed the dominance of the Chinese-speaking markets (China, Hong Kong, Singapore, etc.) with the lion’s share of the sales at 48.2%. Overseas films set in Korea were estimated to have

Table 01 • Sales Figures for 2009 - 2018 of Korean Film Industry

(Unit: in KRW 100 million)

Classification		2009	2010	2011	2012	2013	2014	2015	2016		2017	2018
Ticket sales		10,941	11,684	12,358	14,551	15,513	16,641	17,154	17,432		17,566	18,140
Ratio		91.3%	88.1%	85.5%	85.0%	82.3%	82.1%	81.2%	76.7%		75.5%	76.3%
Additional Markets		888	1,109	1,709	2,158	2,676	2,971	3,349	4,125		4,362	4,739
Ratio		7.4%	8.4%	11.8%	12.6%	14.2%	14.7%	15.8%	18.1%		18.7%	19.9%
Overseas Exports	in KRW 100 million ⁴⁾	155	462	382	414	651	664	628	Film	509	460	458
									Service	664	883	427
									Subtotal	1,173	1,343	885
	in USD 10,000 ⁵⁾	1,412	4,222	3,487	3,782	5,946	6,308	5,550	Film	4,389	4,073	4,160
									Service	5,720	7,806	3,876
									Subtotal	10,109	11,879	8,036
Ratio		1.3%	3.5%	2.6%	2.4%	3.5%	3.3%	3.0%	5.2%		5.8%	3.7%
Total		11,984	13,255	14,449	17,123	18,840	20,276	21,131	22,730		23,271	23,764
Ratio		100%	100%	100%	100%	100%	100%	100%	100%		100%	100%

4 Film and service sales are distinguished as separate categories form 2016 survey.
5 Conversion to KRW follows 1 USD = 1,101.47 KRW (average purchase rate for 2018)

Figure 01 • Sales Figures for 2009 - 2018 of Korean Film Industry

Year	Theater Sales	Additional Sales	Overseas Sales	Total Sales
2009	11,500	500	100	12,100
2010	12,500	600	150	13,250
2011	13,000	800	200	14,000
2012	15,000	1,000	300	16,300
2013	16,000	1,200	400	17,600
2014	17,000	1,400	500	18,900
2015	17,500	1,600	600	19,700
2016	18,000	1,800	700	20,500
2017	18,000	2,000	800	20,800
2018	18,500	2,200	1,000	21,700

► Theaters and Multiplexes

The number of theaters nationwide increased from 452 in 2017 to 483 in 2018, reflecting an increase of 31, while the number of screens increased by 171 to 2,937. In total 50 new theaters were opened in 2018, with 37 being multiplex chain theaters, 13 being independent theaters, and 8 being small-scale theaters. Multiplex chains accounted for 79.5% of the total number of theaters, 93.8% of the total number of screens, 97.6% of the total number of admissions, and 98.3% of sales. The expansion of CineQ theaters, a project of the distribution and investment company NEW since 2017, raised its number of vertical multiplex affiliates to 381 and the number of its screens to 2,727. In terms of administrative regions, 50 administrative regions had no theater at all, and 2 of them had a population of over 200,000.

Table 02 • Major Statistical Indicators for 2009 - 2018 of Korean Film Industry

Classification		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Admissions (in 10,000)	Total Admissions	15,696	14,918	15,972	19,489	21,335	21,506	21,729	21,702	21,987	21,639
	Korean films	7,641	6,940	8,287	11,461	12,729	10,770	11,293	11,655	11,390	11,015
	Admissions Share	48.7%	46.5%	51.9%	58.8%	59.7%	50.1%	52.0%	53.7%	51.8%	50.9%
	Foreign films	8,055	7,978	7,685	8,028	8,606	10,736	10,436	10,047	10,597	10,624
	Admissions Share	51.3%	53.5%	48.1%	41.2%	40.3%	49.9%	48.0%	46.3%	48.2%	49.1%
No. of Films Released ⁶⁾	Korean Films (actual)	118	140	150	175	183	217	232	302 (167)	376 (164)	454 (194)
	Foreign Films (actual)	243	286	289	456	722	878	944	1,218 (411)	1,245 (456)	1,192 (534)
No. of Screens Nationwide		2,055	2,003	1,974	2,081	2,184	2,281	2,424	2,575	2,766	2,937
No. of Theaters Nationwide		305	301	292	314	333	356	388	417	452	483
Average Film Admissions per Capita		3.15	2.92	3.15	3.83	4.17	4.19	4.22	4.20	4.25	4.18
Return of Investment for Korean Films ⁷⁾		-13.1%	-11.0%	-16.5%	15.9%	16.8%	7.6%	4.0%	17.6%	18%	-17.3%

6 No. of films released refers to the number of films that exceeded 40 screenings per year (daily screening in a week for a single theater yields approximately 40 screening). This indicator was included in 2016.
7 Profit rate analysis focused on films ‘exceeding KRW 1 billion in total production cost’ or films ‘screened in more than 100 theaters at its highest point’ until 2016. In 2017, a new criterion of ‘films exceeding KRW 3 billion in actual production cost’ was introduced to reflect the rising trend of production costs.

► Gender Statistics

Among 77 commercial films released in 2018, 10 included female directors (13.0%), 15 included female executive producers (19.5%), 23 included female producers (29.9%), 24 included female leads (31.2%), 23 included female writers (29.9%), and 0 included female cinematographers (0%), reflecting a general increase across all areas excluding production and cinematography. In particular, 2018 featured the highest ratio of female directors and leads in the last 5 years.

The average admissions to films directed by female directors rose to 593,319, an increase of 28.8% from the previous year and the fifth consecutive increase for the past 5 years. The average admissions to films with female leads rose to 572,858, an increase of 41.4% from the previous year. But even though 2018 saw an expansion and diversification of statistical measurements pertaining to gender awareness in Korean films, deeper research must be conducted in order for these data to be used as the base data for different policy-making efforts.

► Production Costs and Estimated ROI

The sum of production costs for 186 films that saw ‘actual release’ in 2018 (174 in the previous year) amounted to KRW 498.6 billion (KRW 458.2 billion in the previous year), with an average total production cost of KRW 2.68 billion (KRW 2.63

billion in the previous year) and an average actual production cost of KRW 2 billion (KRW 1.91 billion in the previous year). These represent a rise from the previous year’s levels. The sum of production costs for 40 commercial films that had a pure production cost of over KRW 3 billion (37 in the previous year) amounted to KRW 41.4 billion , with an average total production cost of KRW 10.34 billion (KRW 9.78 billion in the previous year) and an average actual production cost of KRW 7.9 billion (KRW 7.33 billion in the previous year).

The average estimated ROI for these 40 commercial films was estimated at -17.3%, a drastic drop from the 2017’s average (18%). After the positive shift of the ROI for Korean films in 2012, their average ROI remained positive until the previous year. The cause of this drastic drop is estimated to be the lackluster performance of high-budget films with more than KRW 10 billion in box office. While profit rates showed a decline from the previous year for lower and mid-budget films with KRW 3 - 5 billion or 5 - 8 billion in budget, they still continued their trend of mitigating the general decline in ROI in this year as well. As such, their performance and potential warrants further inspection and investigation.

II. Detailed Review

A. Box Office

1) Admissions and Ticket Sales

The number of total admissions in 2018 reached 216.39 million, 1.6% less than the previous year in terms of numbers. While the number of admissions declined from the previous year’s levels, total ticket sales increased by 3.3% to KRW 1.8140 trillion, the highest record in terms of numbers. This rise in sales despite the drop in admission was caused

by the increases in ticket prices implemented in April 2018. Admission for Korean films declined by 3.3% to 110.15 million, and despite the drop in admission, admission remained over 100 million for 7 consecutive years since 2012. Total sales achieved by Korean films rose by 1.1% to KRW 912.8 billion. Market share of the Korean films ended at 50.9% with a decrease of 0.9% from the previous year, successfully maintaining the slight majority it has enjoyed over foreign films for the 8 consecutive years since 2011.

Table 03 • Admissions, Ratio, and Average Admissions per Capita for Korean and Foreign Films in 2009-2018

Year		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Ticket Sales (in KRW 100 million)	Total	10,941	11,684	12,358	14,551	15,513	16,641	17,154	17,432	17,566	18,140
	Rate of Change	11.7%	6.8%	5.8%	17.8%	6.6%	7.3%	3.1%	1.6%	0.8%	3.3%
	Korean Films	5,318	5,125	6,137	8,361	9,099	8,206	8,796	9,279	9,027	9,128
	Rate of Change	28.9%	-3.6%	19.8%	36.2%	8.8%	-9.8%	7.2%	5.5%	-2.7%	1.1%
	Foreign Films	5,623	6,559	6,221	6,190	6,414	8,435	8,358	8,153	8,539	9,012
	Rate of Change	-0.8%	16.7%	-5.1%	-0.5%	3.6%	31.5%	-0.9%	-2.5%	4.7%	5.5%
Admissions (in 10,000)	Total Admissions	15,696	14,918	15,972	19,489	21,335	21,506	21,729	21,702	21,987	21,639
	Rate of Change	4.1%	-5.0%	7.1%	22.0%	9.5%	0.8%	1.0%	-0.1%	1.3%	-1.6%
	Korean Films	7,641	6,940	8,287	11,461	12,729	10,770	11,293	11,655	11,390	11,015
	Rate of Change	20.2%	-9.2%	19.4%	38.3%	11.1%	-15.4%	4.9%	3.2%	-2.3%	-3.3%
	Admissions Share	48.7%	46.5%	51.9%	58.8%	59.7%	50.1%	52.0%	53.7%	51.8%	50.9%
	Foreign Films	8,055	7,978	7,685	8,028	8,606	10,736	10,436	10,047	10,597	10,624
	Rate of Change	-7.7%	-1.0%	-3.7%	4.5%	7.2%	24.8%	-2.8%	-3.7%	5.5%	0.3%
	Admissions Share	51.3%	53.5%	48.1%	41.2%	40.3%	49.9%	48.0%	46.3%	48.2%	49.1%
Average Film Admissions per Capita		3.15	2.92	3.15	3.83	4.17	4.19	4.22	4.20	4.25	4.18

Admission figures for foreign films ended at 106.24 admissions, a 0.3% increase from the previous year, and their gross sales topped at KRW 901.2 billion, a 5.5% increase from the previous year. Market share for foreign films increased by 0.9% to reach 49.1%. The average number of films seen per capita was tallied at 4.18, reflecting a reduction of 0.07 over the previous year’s historic record (4.25). However, Korea still has one of the highest average number of films seen per capita. A 2018 survey by IHS, a global information provider, put Iceland as the country with the highest average number of films seen per capita

at 4.2. Korea took the second place on the list at 4.18, followed by United States at 3.7 and Australia at 3.5.

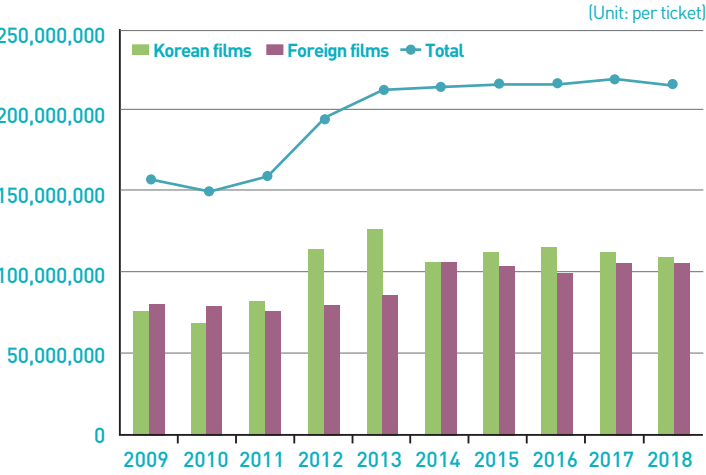
An examination of the yearly admission for 17 regional government areas in Korea reveals that Seoul had the highest number of admissions at 56.63 million, 26.2% of the total. Seoul was followed by Gyeonggi Province at 51.48 million and Busan Metropolitan City at 15.93 million. Admissions tended to be proportionate to the number of seats available in the region. Gyeonggi Province had the highest number of seats with 104,971 seats (685 screens),

Table 04 • Regional Admissions, Sales, and Admissions per Capita By Area in 2018

Classification	Admissions	Admissions Share	Ticket Sales (in KRW)	Market Share	Average Ticket Price (in KRW)	Population	Average Film Admissions per Capita
Seoul	56,627,181	26.2%	493,507,542,335	27.2%	8,715	9,765,623	5.80
Busan	15,931,761	7.4%	132,502,833,500	7.3%	8,317	3,441,453	4.63
Daegu	11,190,539	5.2%	95,106,197,100	5.2%	8,499	2,461,769	4.55
Incheon	11,150,772	5.2%	93,827,737,750	5.2%	8,414	2,954,642	3.77
Gwangju	7,792,854	3.6%	62,801,218,900	3.5%	8,059	1,459,336	5.34
Daejeon	7,355,251	3.4%	62,599,953,000	3.5%	8,511	1,489,936	4.94
Ulsan	4,333,956	2.0%	36,614,369,500	2.0%	8,448	1,155,623	3.75
Sejong	1,021,712	0.5%	8,248,591,600	0.5%	8,073	314,126	3.25
Gyeonggi Province	51,482,319	23.8%	434,547,781,000	24.0%	8,441	13,077,153	3.94
Gangwon Province	5,428,836	2.5%	42,843,375,650	2.4%	7,892	1,543,052	3.52
North Chungcheong Province	5,611,004	2.6%	45,564,173,500	2.5%	8,121	1,599,252	3.51
South Chungcheong Province	7,083,353	3.3%	56,845,633,503	3.1%	8,025	2,126,282	3.33
North Jeolla Province	6,455,095	3.0%	51,274,968,650	2.8%	7,943	1,836,832	3.51
South Jeolla Province	4,878,331	2.3%	35,755,041,750	2.0%	7,329	1,882,970	2.59
North Gyeongsang Province	6,854,769	3.2%	54,599,461,050	3.0%	7,965	2,676,831	2.56
South Gyeongsang Province	10,893,335	5.0%	88,593,153,750	4.9%	8,133	3,373,988	3.23
Jeju Self-governing Province	2,294,652	1.1%	18,735,037,600	1.0%	8,165	667,191	3.44
Total	216,385,720	100.0%	1,813,967,070,138	100.0%	8,383	51,826,059	4.18

※ Population figures presented are based on the Ministry of the Interior and Safety’s census figures based on resident registration, December 31, 2018.

Figure 02 • Admissions Trends of Korean and Foreign Films, 2009 - 2018



followed by Seoul at 94,963 (571 screens) and Busan at 34,323 (208 screens). Likewise, Seoul had the highest average number of admissions per capita at 5.80. Gwangju Metropolitan City was the next in line with the average of 5.34 admissions per capita. The average ticket prices for 2018 rose by 4.9% from the previous year to KRW 8,383. Ticket prices began to rise with 2014’s distinctions on ticket prices based on time and seat, and reached KRW 8,000 levels for the first time in 2016. 2017 saw average ticket prices

decline slightly, returning to below KRW 8,000. This decrease was prompted by the declining demand of special screenings such as 3D, IMAX, IMAX 3D, and 4D; the introduction of the children’s tickets to expand upon the audience; and the increase in affordable alternatives such as ‘Culture Day’. In 2018, however, the release of <Avengers: Infinity War> in April was accompanied by a general increase in ticket prices across the 3 major multiplex theater chains, which resulted in the highest ticket prices yet seen in Korea.

Increased sales of special screenings with higher fares also prompted the increase in the average ticket price. Special screening sales amounted to KRW 82.6 billion, a 60.1% increase from the previous year’s KRW 51.6 billion. Naturally, its share in the total sales has also increased substantially. Special screenings accounted for 2.9% of the total sales in 2017. In 2018, they accounted for 4.6%, 1.7% greater than the previous year. Films with high ratios of special screening include⁸⁾ <Avengers: Infinity War>, which raised nearly 15.2% of its total sales (KRW 15.19 billion) from special screenings, as well as <Bohemian Rhapsody>, <Jurassic World: Fallen Kingdom>, and <Along with the Gods: The Last 49 Days>.

Table 05 • Average Ticket Prices, 2014-2018

Classifi-cation	Total Admissions (in 10,000)	Total Sales (in KRW 100 million)	Korean Film Admissions (in 10,000)	Korean Film Sales (in KRW 100 million)	Foreign Film Admissions (in 10,000)	Foreign Film Sales (in KRW 100 million)	Average Ticket Price, General (KRW)	Average Ticket Price, Korean (KRW)	Average Ticket Price, Foreign (KRW)
2014	21,506	16,641	10,770	8,206	10,736	8,435	7,738	7,619	7,857
2015	21,729	17,154	11,293	8,796	10,436	8,358	7,895	7,789	8,009
2016	21,702	17,432	11,655	9,279	10,047	8,153	8,032	7,961	8,115
2017	21,987	17,566	11,390	9,027	10,597	8,539	7,989	7,925	8,058
2018	21,639	18,140	11,015	9,127	10,624	9,012	8,383	8,286	8,483

※ Average ticket price for the year was obtained by dividing the total sales by admission.

8 Admission and sales figures for special screenings were obtained from the cumulative data from the Korean Box Office Information System (KOBIS).

2) Monthly Admissions Shares

January 2018 saw the record number of admissions for Korean films at 14.06 million for the month, thanks to the diversity of genres including the fantasy film <Along with the Gods - The Two Worlds> (2017-12-20, 5.87 million)⁹⁾ ¹⁰⁾, social criticism and drama <1987: When the Day Comes> (2017-12-27, 5.29 million)¹¹⁾, and music film <Keys to the Heart> (3.42 million). January was also notable for the significant increase of family visits to the cinema, which was motivated by the success of <Along with the Gods - The Two Worlds> (12), <Coco> (All), and <Keys to the Heart> (12). The successes of <Keys to the Heart> (2018-01-17) was also motivated by the formation of a niche market just before the New Year's holidays. 2018's Seollal holidays fell in mid-February, creating

a niche market between the end of the winter high season at January and the start of the Seollal at early February, allowing an unconventional music film to take advantage of the lull in the market.

February demonstrated the dominance of Marvel films with a highly symbolic example: <Black Panther> succeeded in dominating the Seollal holidays box office (2018-02-14, 5.4 million), historically a stronghold for Korean films.<Black Panther> managed to draw 1.87 million people to the cinemas during the 3 days of Seollal holidays (2018.2.15 - 17) and eventually won first place in February's box office with 4.79 million. On the other hand, Korean films during the same period failed to even surpass their break-even point. <Detective K: Secret of the Living Dead> (2018-02-08, 2.44

million) failed to generate much steam despite being a comedic adventure film, historically a favored genre of the Seollal holidays season, while <Psychokinesis> (2018-01-31, 0.99 million), <Golden Slumber> (2018-02-14, 1.39 million), and <Heung-boo: The Revolutionist> (2018-02-14, 0.42 million) failed to overcome the banal narratives despite having socially critical themes. All in all, Korean film admissions for February stood at 6.99 million, the lowest record for February since 2010.

March box office fared considerably better with the release of well-received Korean films across different genres, with a traditional romance <Be with You> (2.60 million), 'healing' drama <Little Forest> (1.51 million), thriller <The Vanished> (1.32 million), period romantic comedy <The Princess and the Matchmaker> (1.34 million), and horror film <Gonjiam: Haunted Asylum> (2.68 million). Romance and romantic comedy films began to be eschewed by Korean film producers after the rise of criminal and thriller films prompted by 2008's <The Chaser>. Public demand for such films was often satisfied by artistic theaters through re-screening. The robust performance of <Be with You> in March served as a turning point to this trend. Another minority genre, horror, also made sizable strides in March as well. <Gonjiam: Haunted Asylum>, a low-budget film with an actual production cost¹²⁾ of KRW 1.1 billion, became a surprise hit that later on managed to become the second most successful Korean horror film in history after <A Tale of Two Sisters> (3.15 million).

April's box office broke the month's historical record with 14.07 million admission, fueled by the record hit <Avengers: Infinity War> (11.21 million). <Avengers: Infinity War> set the historical record for screening shares on the fifth day of its release, April 29th, with a 77.4% share across Korea. It would eventually

go on to dominate the box office for the month of May as well. <Avengers: Infinity War> became the eighth Marvel film to win the first place in May box office figures, 11 years after the release of <Iron Man> in 2008. Meanwhile, the Korean film industry responded to the dominance of Marvel films with crime films. <Believer> (5.20 million)¹³⁾ won first place in the Korean box office for May, continuing the dominance of crime films in the domestic market with May 2017's <The Sheriff in Town>.

June was characterized by an unusually large number of women's films. <The Accidental Detective 2: In Action> was directed by a woman, while <The Witch: Part 1. The Subversion> featured a female lead. <Herstory>, a film about the victims of forced sexual slavery under Imperial Japan, was also released in June. Director Lee Eon-hee's <The Accidental Detective 2: In Action> (3.15 million) became the second most successful Korean film directed by a woman, behind Yim Soon-rye's <Forever the Moment> (4.04 million). Foreign films released in June also continued the trend with the gender-swap film <Ocean's 8> (1.34 million), while the comedy film <I Feel Pretty> (0.24 million) touched on issues of female body positivity and appearance. The robust success enjoyed by women's films in June 2018 is partially motivated by the lack of blockbuster films in the same month, which was in turn motivated by the commercial failure of blockbuster films in June 2017. This lack of blockbuster films created a niche market between the Marvel-dominated spring season and summer's high season.

July demonstrated the negative effects of Korean film industry's recent transition toward a heavier focus on blockbuster films. <Illang: The Wolf Brigade>, a blockbuster with a budget of KRW 16 billion, performed quite poorly at the box office (0.9 million). The lack of mid-tier films that could fill the

Table 6 • Korean and Foreign Film Admissions Shares in 2018, by Month, Quarter, Half

Classification	Korean Film Admissions	Monthly Admissions Share	Quarterly Admissions Share	Half-yearly Admissions Share	Foreign Film Admissions	Monthly Admissions Share	Quarterly Admissions Share	Half-yearly Admissions Share	Total Admissions
January	14,061,620	61.3%	56.5%	46.7%	8,881,836	38.7%	43.5%	53.3%	22,943,456
February	6,989,199	44.9%			8,562,561	55.1%			15,551,760
March	7,916,144	61.8%			4,885,367	38.2%			12,801,511
April	4,690,560	33.3%	35.5%		9,375,683	66.7%	64.5%		14,066,243
May	5,094,177	32.1%			10,797,538	67.9%			15,891,715
June	6,212,328	41.1%			8,887,516	58.9%			15,099,844
July	5,391,934	27.3%	58.9%	54.3%	14,384,735	72.7%	41.1%	45.7%	19,776,669
August	22,208,501	73.4%			8,049,774	26.6%			30,258,275
September	11,772,617	70.0%			5,051,716	30.0%			16,824,333
October	7,477,689	53.1%	48.5%		6,597,668	46.9%	51.5%		14,075,357
November	8,208,351	47.9%			8,941,599	52.1%			17,149,950
December	10,126,152	46.1%			11,820,455	53.9%			21,946,607
Total	110,149,272	50.9%			106,236,448	49.1%			216,385,720

9 All admission figures referenced are for 2018.
10 Cumulative admissions on 2019.2.12. stood at 7,232,387.
11 Cumulative admissions on 2019.2.12. stood at 14,411,502.

12 Production cost and break-even point figures were drawn from media reports.
13 Includes the admissions figure for the extended cut of the film.

void meant that July 2018’s admissions remained at their lowest since 2008 with the total of 5.39 million. Foreign films on the other hand drew 14.38 million to the theater, the second best historical record for the month of July after the previous year’s 14.49 million. Sequels released in July also managed to surpass the record of the previous films as well, from 〈Ant-Man and the Wasp〉(5.45 million) to 〈Mission: Impossible – Fallout〉(6.58 million) and 〈Incredibles 2〉(3.03 million).

August was, once again, the highest season in the film industry for the year. The total admissions for August topped in 2014 at 32.22 million and remained relatively stable at the 30 million line. Total admissions for August 2018 stood at 30.26 million, a 1.2% increase from the previous year. Korean films for the same period had a total admission of 22.21 million, a 3.9% increase from the previous year and a continuation of the strong trend above the 20 million level after the peak of 25.09 million in 2014. Their market share also stood at 73.4%, maintaining their significant lead over foreign films for 8 consecutive years since 2011. The lack of significant changes to the August total and Korean film admissions since 2014 suggest that the distribution strategy of the so-called ‘Big 4’, or the largest 4 distributors in Korea, carving up the theater distribution by releasing their films on an alternating weekly basis, has been settled in the August market. 〈Along with the Gods: The Last 49 Days〉, the tent-pole of the August 2018 market, drew 12.27 million to the box office, becoming the 12th highest grossing film over the record of 〈A Taxi Driver〉. Considering that 〈Along with the Gods - The Two Worlds〉drew 14.41 million to the box office, the 〈Along with the Gods〉series became the first Korean film series to reach the 10 million mark for two consecutive films.

With the Chuseok holidays on the horizon,

September was characterized by the release of four blockbuster films with more than a KRW 10 billion budget. Admission figures for September 2018 jumped by 96.6% over the previous year’s figures to 11.77 million, buoyed by the release of blockbusters and the occurrence of the Chuseok holidays within the month of September. But this also meant that the four blockbuster films had to divide up the limited power of the Chuseok market between them: only 〈The Great Battle〉(2018-09-19, 5.44 million) managed to surpass its break-even point at 5.41 million, with〈Monstrum〉(2018-09-12, 0.72 million), 〈Fengshui〉(2018-09-19, 2.09 million), and 〈The Negotiation〉(2018-09-19, 1.97 million) failing to generate profits in a zero-sum game.

October demonstrated the effectiveness of the joint distribution strategy between Marvel films and Korean crime films. Marvel’s 〈Venom〉(3.89 million) and the Korean crime film 〈Dark Figure of Crime〉(3.79 million) were released on October 3rd and became the first and the second highest-grossing films in October 2018. The high-budget film 〈Rampant〉(2018-10-25, 1.60 million) is notable in that despite its KRW 17 billion budget, it still chose to be released in the comparatively low season of October. The general climb in Korean film budgets have left many blockbusters to choose low seasons for their release, as demonstrated by the example of 〈Rampant〉. However, that did not mean that 〈Rampant〉managed to surpass the break-even point.

Low-budget surprise hits such as the KRW 5.8 billion 〈Intimate Strangers〉(5.29 million) and KRW 1.6 billion 〈Miss Baek〉(0.72 million) countered the concern toward the codification of Korean film production formats and the lack of new narratives. The message of woman’s solidarity presented by 〈Miss Baek〉also created a female fandom collectively called as ‘Sbaeks’ and motivated a popular movement to

watch the film, even by purchasing the ticket without showing up for the screenings to increase the sales of the film.

The double box office hit of 〈Bohemian Rhapsody〉(9.22 million) and 〈Intimate Strangers〉(5.29 million) raised the November number of admissions to its historical high of 17.15 million. The initial success of 〈Bohemian Rhapsody〉in particular was due to its popularity among middle-aged women who grew up with Queen’s music. And the reason why this report specifically refers to women is that middle-aged women moviegoers have much greater acceptance toward queer topics discussed in the film than men. A source within the screening market revealed that 〈Bohemian Rhapsody〉“took off with fans in their 40s and 50s, who grew up with Queen’s music, before spreading to the younger generations”.¹⁴ 〈Intimate Strangers〉likewise seems to have enjoyed the same support among the middle-aged women, considering that it assigns much greater role to female characters than conventional Korean films. The fact that many of the female characters in the film were also middle-aged has created further rapport with the audience. November’s consumption pattern can thus be summarized as being led by middle-aged women with spending power and their influence on SNS motivating the more reserved customers in 20s and 30s demographics.

On the other hand, the continued poor performance of Korean blockbusters and their inability to emerge out of codified formats resulted in foreign films taking the leadership in winter season. Even though Korean films enjoyed six years of consecutive leadership in market shares since 2012, December 2018 saw their shares plummet to 46.1%. 〈The Drug King〉, a veritable blockbuster with a KRW 15 billion budget (1.81 million)¹⁵, failed to earn the approval of its viewers due to its failure to emerge out of the

established formats and the graphic depiction of drug use. The KRW 15 billion 〈Swing Kids〉(1.26 million)¹⁶ and KRW 14 billion 〈Take Point〉(1.18 million)¹⁷ failed because of their reliance on the trite subject of the inter-Korean conflict and the fatigue of the public, further influenced by the recent changes in the inter-Korean relations. The fact that three blockbusters were released at the same period also did not help, relegating them to sales far below their break-even point. On the other hand, 〈Default〉(2018-11-28), a comparatively lower-budget film at KRW 7 billion, managed to surpass the break-even point with 3.75 million viewers. 〈Default〉is a story of a senior analyst in the Bank of Korea during the 1997 financial crisis. It successfully managed to set itself apart from other socially critical films by having a strong female lead in a traditionally male-dominated sphere. In other words, 〈Default〉managed to successfully combine the existing keyword of ‘social consciousness’ with the emerging keyword of ‘women’. Nevertheless, this was not enough to recover the losses that Korean films suffered in December 2018: Korean films accounted for the total of 10.13 million moviegoers, representing a 45.8% decrease in the number of viewers and the lowest number of admissions for December post-2012. On the other hand, foreign films accounted for 11.82 million moviegoers, a whopping 126.6% increase from the previous year’s figure and the second highest admissions record for foreign films in December. With a 53.9% market share, foreign films reclaimed their leadership in the winter market after 7 years since their 62.6% dominance in 2011.

14 ‘Newtro’ Renaissance with Bohemian Rhapsody, NocutNews[https://www.nocutnews.co.kr/news/5064010].
15 Cumulative admissions on 2019.2.12. stood at 1,863,718.
16 Cumulative admissions on 2019.2.12. stood at 1,470,784.
17 Cumulative admissions on 2019.2.12. stood at 1,671,065.

Table 07 • Monthly Admissions by the Country of Origin in 2018

Classifi- cation	Korean				Foreign				Total		
	No. of Films Released	No. of Films Screened	Admi- ssions	Admi- ssions Share	No. of Films Released	No. of Films Screened	Admi- ssions	Admi- ssions Share	No. of Films Released	No. of Films Screened	Admi- ssions
2018-01	42	126	14,061,620	61.3%	93	264	8,881,836	38.7%	135	390	22,943,456
2018-02	32	119	6,989,199	44.9%	89	266	8,562,561	55.1%	121	385	15,551,760
2018-03	37	162	7,916,144	61.8%	91	292	4,885,367	38.2%	128	454	12,801,511
2018-04	41	150	4,690,560	33.3%	89	282	9,375,683	66.7%	130	432	14,066,243
2018-05	42	151	5,094,177	32.1%	89	292	10,797,538	67.9%	131	443	15,891,715
2018-06	33	122	6,212,328	41.1%	89	255	8,887,516	58.9%	122	377	15,099,844
2018-07	28	140	5,391,934	27.3%	117	337	14,384,735	72.7%	145	477	19,776,669
2018-08	41	150	22,208,501	73.4%	103	327	8,049,774	26.6%	144	477	30,258,275
2018-09	35	141	11,772,617	70.0%	96	330	5,051,716	30.0%	131	471	16,824,333
2018-10	44	169	7,477,689	53.1%	120	300	6,597,668	46.9%	164	469	14,075,357
2018-11	38	270	8,208,351	47.9%	107	352	8,941,599	52.1%	145	622	17,149,950
2018-12	41	175	10,126,152	46.1%	109	321	11,820,455	53.9%	150	496	21,946,607
Total	454	-	110,149,272	50.9%	1,192	-	106,236,448	49.1%	1,646	-	216,385,720

Table 08 • Box Office Results for the Top 20 Films, 2018

Rank	Title	Date of Release	Rating	Origin	Maximum Admissions Share	Average Admissions Share in the First Week	Admi- ssions	Revenue (in KRW)	Distri- butor
1	Along with the Gods: The Last 49 Days	2018-08-01	12	Korea	59.0%	57.1%	12,274,996	102,666,146,909	Lotte
2	Avengers: Infinity War	2018-04-25	12	US	77.4%	73.6%	11,212,710	99,926,399,769	Disney
3	Bohemian Rhapsody	2018-10-31	12	US	29.6%	19.0%	9,224,591	80,010,521,345	Fox
4	Mission: Impossible – Fallout	2018-07-25	15	US	48.3%	46.1%	6,584,915	55,888,375,112	Lotte
5	Along with the Gods - The Two Worlds	2017-12-20	12	Korea	47.0%	44.5%	5,872,007	47,355,583,705	Lotte
6	Jurassic World: Fallen Kingdom	2018-06-06	12	US	57.7%	55.8%	5,661,128	49,770,711,037	UPI
7	Ant-Man and the Wasp	2018-07-04	12	US	54.4%	51.8%	5,448,134	47,468,053,685	Disney
8	The Great Battle	2018-09-19	12	Korea	34.0%	28.8%	5,440,186	46,335,334,026	NEW
9	Black Panther	2018-02-14	12	US	41.3%	38.5%	5,399,227	45,885,123,957	Disney
10	Intimate Strangers	2018-10-31	15	Korea	37.5%	32.7%	5,293,435	44,350,807,074	Lotte
11	1987: When the Day Comes	2017-12-27	15	Korea	35.6%	30.1%	5,290,310	42,915,772,108	CJ ENM
12	Believer	2018-05-22	15	Korea	44.2%	32.8%	5,201,555	44,331,321,713	NEW
13	The Spy Gone North	2018-08-08	12	Korea	29.3%	26.3%	4,974,520	42,788,851,176	CJ ENM
14	Venom	2018-10-03	15	US	37.3%	26.3%	3,888,096	34,100,211,207	Sony
15	Dark Figure of Crime	2018-10-03	15	Korea	32.8%	28.9%	3,789,321	32,995,138,548	Showbox
16	Deadpool 2	2018-05-16	R	US	47.3%	43.8%	3,784,602	34,185,664,639	Fox
17	Default	2018-11-28	12	Korea	33.6%	32.9%	3,747,974	30,846,056,137	CJ ENM
18	Coco	2018-01-11	All	US	22.6%	19.7%	3,510,017	27,685,479,440	Disney
19	Aquaman	2018-12-19	12	US	26.1%	23.7%	3,491,880	30,454,537,381	Warner Bros.
20	Keys to the Heart	2018-01-17	12	Korea	20.8%	20.1%	3,419,339	27,450,805,382	CJ ENM

* Admissions share = A (no. of screening) / B (total screening) * 100
- No. of screening(A): The number of screenings that a given film had during the period (based on no. of instances)
- Total screening(B): ∑ [number of screenings for the given film] (*sum of A value [no. of screening] for all films during that period)
* Maximum admissions share refers to the highest daily admissions share of a film.
* Average admissions share in the first week refers to the average of daily admissions shares for the 7 days following the release of the film.
* Ranking is based on the admission figures of 2018.
* Admission and sales figures refer to those during 2018.
* Extended or director’s cut releases are included in the admission and sales figure of the original film.

Figure 03• Monthly Admissions by Country of Origin in 2018

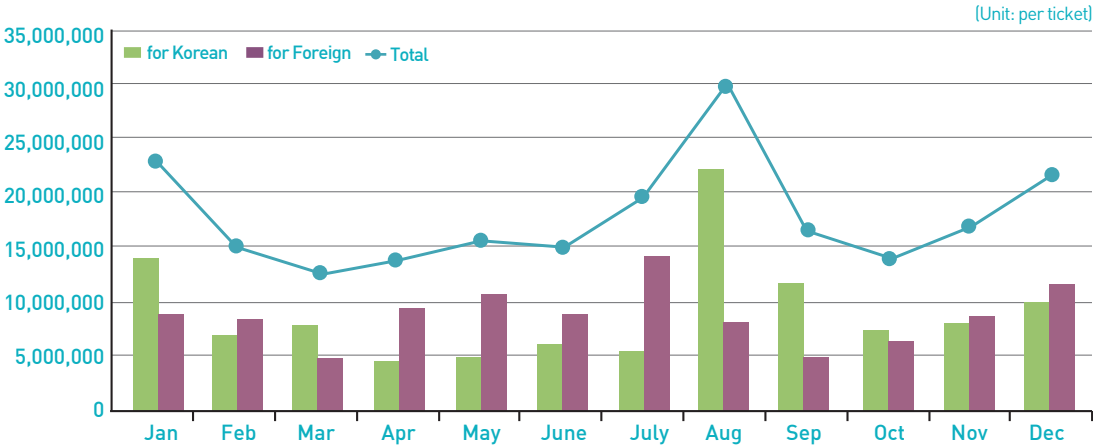


Table 09 • Box Office Results for the Top 10 Korean Films, 2018

Rank	Title	Director	Date of Release	Rating	Maximum Admissions share	Average Admissions Share in the First Week	Admissions	Revenue (in KRW)	Producer	Distributor
1	Along with the Gods: The Last 49 Days	Kim Yong-hwa	2018. 08-01	12	59.0%	57.1%	12,274,996	102,666,146,909	Realies Pictures, Dexter Studios	Lotte
2	Along with the Gods - The Two Worlds	Kim Yong-hwa	2017. 12-20	12	47.0%	44.5%	5,872,007	47,355,583,705	Realies Pictures, Dexter Studios	Lotte
3	The Great Battle	Kim Kwang-sik	2018. 09-19	12	34.0%	28.8%	5,440,186	46,335,334,026	Soojak Film, Studio&NEW, Motiv Lab	NEW
4	Intimate Strangers	Lee Jae-kyoo	2018. 10-31	15	37.5%	32.7%	5,293,435	44,350,807,074	Film Monster Co., Drama House	Lotte
5	1987: When the Day Comes	Jang Joon-hwan	2017. 12-27	15	35.6%	30.1%	5,290,310	42,915,772,108	Woojeung Film	CJ ENM
6	Believer	Lee Hae-young	2018. 05-22	15	44.2%	32.8%	5,201,555	44,331,321,713	Yong Film	NEW
7	The Spy Gone North	Yoon Jong-bin	2018. 08-08	12	29.3%	26.3%	4,974,520	42,788,851,176	Moonlight Film, Sanai Pictures	CJ ENM
8	Dark Figure of Crime	Kim Tae-kyun	2018. 10-03	15	32.8%	28.9%	3,789,321	32,995,138,548	295 Films, Blossom Pictures	Showbox
9	Default	Choi Kook-hee	2018. 11-28	12	33.6%	32.9%	3,747,974	30,846,056,137	Zip Cinema	CJ ENM
10	Keys to the Heart	Choi Sung-hyun	2018. 01-17	12	20.8%	20.1%	3,419,339	27,450,805,382	JK Film, CJ ENM	CJ ENM

* Admissions share = A(no. of screening) / B(total screening) * 100
- No. of screening(A) : The number of screenings that a given film had during the period (based on no. of instances)
- Total screening(B) : ∑[number of screenings for the given film] (※ sum of A value (no. of screening) for all films during that period)
* Maximum admissions share refers to the highest daily admissions share of a film.
* Average admissions share in the first week refers to the average of daily admissions shares for the 7 days following the release of the film.
* Ranking is based on the admission figures of 2018.
* Admission and sales figures refer to those during 2018.
* Extended or director’s cut releases are included in the admission and sales figure of the original film.

Table 10 • Box Office Results for the Top 10 Foreign Films, 2018

Rank	Title	Date of Release	Rating	Maximum Admissions Share	Average Admissions Share in the First Week	Admissions	Revenue (in KRW)	Distributor
1	Avengers: Infinity War	2018. 04-25	12	77.4%	73.6%	11,212,710	99,926,399,769	Disney
2	Bohemian Rhapsody	2018. 10-31	12	29.6%	19.0%	9,224,591	80,010,521,345	Fox
3	Mission: Impossible – Fallout	2018. 07-25	15	48.3%	46.1%	6,584,915	55,888,375,112	Lotte
4	Jurassic World: Fallen Kingdom	2018. 06-06	12	57.7%	55.8%	5,661,128	49,770,711,037	UPI
5	Ant-Man and the Wasp	2018. 07-04	12	54.4%	51.8%	5,448,134	47,468,053,685	Disney
6	Black Panther	2018. 02-14	12	41.3%	38.5%	5,399,227	45,885,123,957	Disney
7	Venom	2018. 10-03	15	37.3%	26.3%	3,888,096	34,100,211,207	Sony
8	Deadpool 2	2018. 05-16	R	47.3%	43.8%	3,784,602	34,185,664,639	Fox
9	Coco	2018. 01-11	All	22.6%	19.7%	3,510,017	27,685,479,440	Disney
10	Aquaman	2018. 12-19	12	26.1%	23.7%	3,491,880	30,454,537,381	Warner Bros.

* Admissions share = A(no. of screening) / B(total screening) * 100
- No. of screening(A) : The number of screenings that a given film had during the period (based on no. of instances)
- Total screening(B) : ∑[number of screenings for the given film] (※ sum of A value (no. of screening) for all films during that period)
* Maximum admissions share refers to the highest daily admissions share of a film.
* Average admissions share in the first week refers to the average of daily admissions shares for the 7 days following the release of the film.
* Ranking is based on the admission figures of 2018.
* Admission and sales figures refer to those during 2018.
* Extended or director’s cut releases are included in the admission and sales figure of the original film.

3) Number of Films Produced, Imported, Released and Film Ratings

The number of film releases was formerly based on the films that had a registered date of release in the Korean Box Office Information System and a record of screenings that indicated its screening, but the increase in perfunctory release of R-rated films since 2012, intended as mere transitional periods before their release in the online VOD market,

resulted in the number of releases skyrocketing and skewing the statistics toward R-rated films. A new system of ‘actual release’¹⁸⁾ has thus been implemented since 2017 to exclude such perfunctory releases from the statistics. For statistics based on the same standards used up to the <2016 Korean Film Industry>, refer to tables 17 to 20. Since Tables 17 to 20 use different standards in admission and screening, the figures presented in these tables differ from the total admission and sales figures, which include

18 For the year 2017, actually released films were taken to be ‘films that released during that year and had more than 40 screenings’. The number 40 is selected because that would be the approximate number of screenings a theater would allocate for the film in a week if the film was screened every day during that week. For the year 2018, the same standards were used with an exception: art films or independent films that were reviewed and recognized as such by the Korean Film Council were also included in the number of actually released films, even if the number of their screening did not exceed 40. The subsequent number of actually released films (194) derived for 2018 serves as the basis for the production cost survey presented in this report.

Table 11 • Number of Korean Film Productions and Foreign Films imported and Released in 2018

Classification	Korean films			Foreign Films			Total		
	No. of Produced Films	No. of Released Films		No. of Imported Films	No. of Released Films		No. of Production / Import	No. of Released Films	
		Total	Actual Release		Total	Actual Release		Total	Actual Release
All	47	36	36	152	120	117	199	156	153
12	67	59	59	196	128	120	263	187	179
15	85	80	80	495	344	246	580	424	326
R	302	279	19	664	600	51	966	879	70
Restricted Screening ¹⁹⁾	0	0	0	0	0	0	0	0	0
Total	501	454	194	1,507	1,192	534	2,008	1,646	728

* Production and import figures presented above are based on the number of films reviewed by the Korea Media Rating Board in 2018. As such, these figures should not be substituted as the actual number of films produced and imported during the same year.

* Foreign films that were re-imported under a different importer due to reasons such as expiration of rights were included in the figure as imported films.

* Production and import figures are based on the number of films reviewed by the Korea Media Rating Board in 2018, and are further limited to films exceeding more than 40 minutes in length. Rating changes based on appeals, changes to the content, 3D and dubbed versions, director’s cut and uncut versions, ScreenX films, and extended cuts are excluded from the figure as well.

Table 12 • Number and Ratio of Actual and Perfunctory releases in 2018, based on Rating

Classification		All		12		15		R		Total	
		No. of Films	Ratio	No. of Films	Ratio	No. of Films	Ratio	No. of Films	Ratio	No. of Films	Ratio
Korean films	Actual Release	36	18.6%	59	30.4%	80	41.2%	19	9.8%	194	100.0%
	Actual Release	0	0.0%	0	0.0%	0	0.0%	260	100.0%	260	100.0%
	Total	36	7.9%	59	13.0%	80	17.6%	279	61.5%	454	100.0%
Foreign films	Actual Release	117	21.9%	120	22.5%	246	46.1%	51	9.6%	534	100.0%
	Perfunctory Release	3	0.5%	8	1.2%	98	14.9%	549	83.4%	658	100.0%
	Total	120	10.1%	128	10.7%	344	28.9%	600	50.3%	1,192	100.0%
Total	Actual Release	153	21.0%	179	24.6%	326	44.8%	70	9.6%	728	100.0%
	Perfunctory Release	3	0.3%	8	0.9%	98	10.7%	809	88.1%	918	100.0%
	Total	156	9.5%	187	11.4%	424	25.8%	879	53.4%	1,646	100.0%

19 Films rated with Restricted Screening are not allowed to be screened in Korea because Korea does not have such restricted screening cinemas, and thus most of the films rated as such tend to receive the R rating after an appeal. This does not mean, however, that there are no films rated as Restricted Screening.

screenings from the previous month, paid screening events, and others (including re-release).

The total number of releases in 2018 was surveyed at 1,646, with ‘actual release’ making up 44.2% of that number at 728. The ratio of ‘actual release’ to the total increased by 6.0% from the previous year’s 38.2%. The number of ‘actual release’s increased by 108. The number of Korean films with ‘actual release’ increased by 30 from 164 to 194, while foreign films with ‘actual release’ increased by 78 from 456 to 534. For Korean films, only the R-rated films decreased in the number of releases, as opposed to all other ratings that saw an increase in the number of releases.

The number of R-rated Korean films with ‘actual release’ went down by 12 from 31 to 19. The number of R-rated films with ‘actual release’ in 2017 increased with the boom in Korean crime films, but the decrease in the number of Korean crime films in 2018 meant that the number of R-rated films also decreased as well. 2017 also contained 5 adult films that were counted toward actually released films, but the number of adult films with ‘actual release’

decreased to 1 in 2018, which also influenced the general decline in the number of actually released R-rated films.

Rated 12 was the largest component in Korean films with ‘actual release’ in 2018, with the ratio of 46.1%. This reflects an increase of 27.1% from the previous year’s 19.0%. Likewise, <Along with the Gods - The Two Worlds> was the only film rated as 12 in 2017’s top 10 Korean films by admission, but the number of films rated 12 increased to 6 in 2018. The rating category 15, with the highest share of admissions in 2017, decreased by 21.7% to 44.5% in 2018. While the number of films released with the rating of 15 increased by 10 over the previous year, the lackluster performance of major contenders such as <The Negotiation>, <Golden Slumber>, and <Illang: The Wolf Brigade> meant that the actual number of admissions decreased in comparison. In terms of foreign films, rating 12 had the absolute majority in the number of actually released films with a share of 62.5%. Likewise, many of the large-grossing films, such as <Avengers: Infinity War>, <Bohemian Rhapsody>, <Ant-Man and the Wasp>, and <Black Panther> were rated as 12.

Table 13 • Screening, Admissions, and Sales Figure of Korean Films with Actual Releases in 2018

Classification	No. of Release	Ratio	Admissions ²⁰⁾	Admissions Share	Revenue (in KRW)	Sales Ratio
All	36	18.6%	4,764,296	4.9%	36,775,195,857	4.5%
12	59	30.4%	45,280,193	46.1%	376,358,754,934	46.1%
15	80	41.2%	43,698,636	44.5%	365,887,133,214	44.8%
R	19	9.8%	4,460,631	4.5%	37,941,789,780	4.6%
Total	194	100.0%	98,203,756	100.0%	816,962,873,785	100.0%

20 Figures presented are limited only to films with actual release and thus differ from the total admission and sales figures.

Table 14 • Screening, Admissions, and Sales Figure of Foreign Films with Actual Release in 2018

Rating	No. of Release	Ratio	Admissions	Admissions Share	Revenue (in KRW)	Sales Ratio
All	117	60.3%	14,112,477	13.6%	110,078,229,687	12.5%
12	120	61.9%	64,801,050	62.5%	560,103,798,595	63.5%
15	246	126.8%	19,419,739	18.7%	164,879,956,296	18.7%
R	51	26.3%	5,355,863	5.2%	47,284,013,380	5.4%
Total	534	275.3%	103,689,129	100.0%	882,345,997,958	100.0%

Table 15 • Admissions Share of Korean and Foreign Films with Actual Release in 2018, based on Rating

Rating	Korean films		Foreign films		Total
	Admissions	Admissions Share	Admissions	Admissions Share	Admissions
All	4,764,296	25.2%	14,112,477	74.8%	18,876,773
12	45,280,193	41.1%	64,801,050	58.9%	110,081,243
15	43,698,636	69.2%	19,419,739	30.8%	63,118,375
R	4,460,631	45.4%	5,355,863	54.6%	9,816,494
Total	98,203,756	48.6%	103,689,129	51.4%	201,892,885

Table 16 • Screening, Admissions, and Sales Figure of All Films with Actual Release in 2018

Rating	No. of Release	Ratio	Admissions	Admissions Share	Revenue (in KRW)	Sales Ratio
All	153	21.0%	18,876,773	9.3%	146,853,425,544	8.6%
12	179	24.6%	110,081,243	54.5%	936,462,553,529	55.1%
15	326	44.8%	63,118,375	31.3%	530,767,089,510	31.2%
R	70	9.6%	9,816,494	4.9%	85,225,803,160	5.0%
Total	728	100.0%	201,892,885	100.0%	1,699,308,871,743	100.0%

※ Based on total number of release and rating

Table 17 • Number of Releases, Admissions and Sales Revenue of Korean Films by Rating in 2018

Rating	No. of Release	Ratio	Admissions	Admission share	Revenue (in KRW)	Sales Ratio
All	36	7.9%	4,764,296	4.9%	36,775,195,857	4.5%
12	59	13.0%	45,280,193	46.1%	376,358,754,934	46.1%
15	80	17.6%	43,698,636	44.5%	365,887,133,214	44.8%
R	279	61.5%	4,486,627	4.6%	38,079,974,780	4.7%
Total	454	100.0%	98,229,752	100.0%	817,101,058,785	100.0%

Table 18 • Number of Releases, Admissions and Sales Revenue of Foreign Films by Rating in 2018

Rating	No. of Release	Ratio	Admissions	Admission share	Revenue (in KRW)	Sales Ratio
All	120	10.1%	14,112,490	13.6%	110,078,264,687	12.5%
12	128	10.7%	64,801,117	62.5%	560,104,108,595	63.5%
15	344	28.9%	19,440,500	18.7%	164,936,072,296	18.7%
R	600	50.3%	5,364,464	5.2%	47,309,719,380	5.4%
Total	1,192	100.0%	103,718,571	100.0%	882,428,164,958	100.0%

Table 19 • Number of Releases, Admissions and Sales Revenue of All Films by Rating in 2018

Rating	No. of Release	Ratio	Admissions	Admissions Share	Revenue (in KRW)	Sales Ratio
All	156	9.5%	18,876,786	9.3%	146,853,460,544	8.6%
12	187	11.4%	110,081,310	54.5%	936,462,863,529	55.1%
15	424	25.8%	63,139,136	31.3%	530,823,205,510	31.2%
R	879	53.4%	9,851,091	4.9%	85,389,694,160	5.0%
Total	1,646	100.0%	201,948,323	100.0%	1,699,529,223,743	100.0%

Table 20 • Number of Releases, Admissions and Sales Revenue of Korean and Foreign Films by Rating in 2018

Rating	Korean films		Foreign films		Total
	Admissions	Admissions Share	Admissions	Admissions Share	Admissions
All	4,764,296	25.2%	14,112,490	74.8%	18,876,786
12	45,280,193	41.1%	64,801,117	58.9%	110,081,310
15	43,698,636	69.2%	19,440,500	30.8%	63,139,136
R	4,486,627	45.5%	5,364,464	54.5%	9,851,091
Total	98,229,752	48.6%	103,718,571	51.4%	201,948,323

4) Admissions Share by the Country of Origin

In 2018, Korean films accounted for 50.9% of the total admissions in the theater, representing a decrease of 0.9% from the previous year. Korean films thus have maintained their significant lead over foreign films for 8 consecutive years since 2011. Films produced in the United States accounted for 97.47 million moviegoers, a 10.0% increase from the previous year driving their market share to 45.0% with an increase of 4.7%. Only two Hollywood films managed to surpass the 5 million mark in 2017, 〈Spider-Man: Homecoming〉(7.26 million) and 〈Beauty and the

Beast〉(5.14 million). In 2018, however, a total of 6 films managed to surpass the 5 million mark, with 〈Avengers: Infinity War〉(11.21 million), 〈Bohemian Rhapsody〉(9.22 million), 〈Mission: Impossible – Fallout〉(6.58 million), 〈Jurassic World: Fallen Kingdom〉(5.66 million), 〈Ant-Man and the Wasp〉(5.45 million), and 〈Black Panther〉(5.40 million).

The United States also accounted for the largest share of perfunctory release film box office with 28,000 moviegoers and a 50.9% share. Most of such films were action or horror films intended for TV VOD market. Japan accounted for the highest number of perfunctory release films at 466 films for 50.8%. Most of such films were adult films.

Table 21 • Admissions Share by the Country of Origin in 2018

Origin		Classification	No. of films	Revenue (in KRW)	Sales Ratio	Admissions	Admissions Share
Korean		Screened Films	700	912,746,543,208	50.3%	110,149,272	50.9%
		Total Release	454	817,101,058,785	48.1%	98,229,752	48.6%
		Actual Release	194	816,962,873,785	48.1%	98,203,756	48.6%
		Perfunctory release	260	138,185,000	62.7%	25,996	46.9%
US	Direct Distribution	Screened Films	61	725,557,734,249	40.0%	84,538,500	39.1%
		Total Release	51	720,475,960,899	42.4%	83,923,735	41.6%
		Actual Release	51	720,475,960,899	42.4%	83,923,735	41.6%
		Perfunctory release	0	0	0.0%	0	0.0%
	Import	Screened Films	294	108,313,053,872	6.0%	12,929,810	6.0%
		Total Release	280	106,781,092,364	6.3%	12,745,333	6.3%
		Actual Release	144	106,705,136,364	6.3%	12,717,120	6.3%
		Perfunctory release	136	75,956,000	34.5%	28,213	50.9%
	Subtotal	Screened Films	355	833,870,788,121	46.0%	97,468,310	45.0%
		Total Release	331	827,257,053,263	48.7%	96,669,068	47.9%
		Actual Release	195	827,181,097,263	48.7%	96,640,855	47.9%
		Perfunctory release	136	75,956,000	34.5%	28,213	50.9%

Origin	Classification	No. of films	Sales revenue (KRW)	Revenue Share	Admissions	Admissions Share
Chinese*	Screened Films	74	4,639,069,704	0.3%	622,203	0.3%
	Total Release	67	4,623,774,404	0.3%	620,508	0.3%
	Actual Release	62	4,623,153,404	0.3%	620,371	0.3%
	Perfunctory release	5	621,000	0.3%	137	0.2%
Europe	Screened Films	208	27,802,788,184	1.5%	3,481,184	1.6%
	Total Release	188	26,357,927,584	1.6%	3,295,138	1.6%
	Actual Release	153	26,356,646,584	1.6%	3,294,850	1.6%
	Perfunctory release	35	1,281,000	0.6%	288	0.5%
Japan	Screened Films	565	22,141,435,468	1.2%	2,859,732	1.3%
	Total Release	545	21,295,826,807	1.3%	2,752,877	1.4%
	Actual Release	79	21,292,448,807	1.3%	2,752,264	1.4%
	Perfunctory release	466	3,378,000	1.5%	613	1.1%
Others	Screened Films	58	12,766,445,453	0.7%	1,805,019	0.8%
	Total Release	61	2,893,582,900	0.2%	380,980	0.2%
	Actual Release	45	2,892,651,900	0.2%	380,789	0.2%
	Perfunctory release	16	931,000	0.4%	191	0.3%
Total	Screened Films	1,960	1,813,967,070,138	100.0%	216,385,720	100.0%
	Total Release	1,646	1,699,529,223,743	100.0%	201,948,323	100.0%
	Actual Release	728	1,699,308,871,743	100.0%	201,892,885	100.0%
	Perfunctory release	918	220,352,000	100.0%	55,438	100.0%

※ Chinese films refer to films produced in People’s Republic of China, Republic of China, and Hong Kong

5) Admissions by Distributors

Lotte accounted for the largest share of admissions in 2018 with a 17.1% share. Lotte’s ascent to first place from its second-place position in 2017 was buoyed by the commercial success of 〈Along with the Gods: The Last 49 Days〉(12.27 million), 〈Mission: Impossible – Fallout〉(6.58 million), and 〈Intimate Strangers〉(5.29 million). CJ ENM, the undisputed leader of the market for 15 years since 2003, was relegated to third place with a 13.3% share. Disney,

which was tallied at fourth place in 2017, advanced to second place with a 13.9% share through the commercial success of Marvel films such as 〈Avengers: Infinity War〉(11.21 million), 〈Ant-Man and the Wasp〉(5.45 million), and 〈Black Panther〉(5.40 million).

Lotte was the most successful Korean distributor to engage with the distribution of foreign films between 2015 and 2016, and thus derived more revenue from the distribution of foreign films rather

than Korean films. However, 2017’s successes with 〈Along with the Gods - The Two Worlds〉, 〈Midnight Runners〉, and 〈I Can Speak〉 (joint distribution with Little Big Pictures) meant that Lotte also enjoyed a considerable success with Korean films. The continuation of this trend in 2018 saw Lotte gathering 36.98 million admissions with 17.1% admissions share through the continued success of the previous year’s 〈Along with the Gods - The Two Worlds〉 (5.87 million), its sequel 〈Along with the Gods: The Last 49 Days〉 (12.27 million), the foreign film 〈Mission: Impossible – Fallout〉 (6.58 million), and the remake 〈Intimate Strangers〉 (5.29 million).

The increasing dominance of the Marvel films was apparent in Disney’s rise to the second place of distributor ranking in 2018. Disney tallied at second place with 30.16 admissions and a 13.9% share, driven by the Marvel films 〈Avengers: Infinity War〉, 〈Ant-Man and the Wasp〉, and 〈Black Panther〉 as well as the animated film 〈Coco〉 (3.51 million).

CJ ENM, on the other hand, only had one high-season release that managed to pass the break-even point (〈The Spy Gone North〉, 4.97 million). Three other holiday releases, including the Seollal holiday’s 〈Golden Slumber〉 (1.39 million), Chuseok holiday’s 〈The Negotiation〉 (1.97 million), and the winter season’s 〈Take Point〉 (1.18 million), failed to surpass their break-even point. With such an unsatisfactory performance of blockbuster films, CJ ENM had to step aside for the excellent performance of Lotte and Disney to third place. In total, CJ ENM accounted for 28.75 million admissions, a 13.6% decrease from the previous year representing a 13.3% share in admissions.

NEW stepped up from seventh place in 2017 to fourth place in 2018. NEW accounted for 20.92 million admissions, a 35.7% increase from the previous year representing a 9.7% share in admissions. However, NEW’s strategy of blockbuster films failed to gather much traction for the fledgling distributor. High-

budget films such as 〈Psychokinesis〉 (0.99 million), 〈Rampant〉 (1.60 million), and 〈Swing Kids〉 (1.26 million) did not manage to put up a satisfactory performance, with only 〈The Great Battle〉 (5.44 million) managing to pass the break-even point. NEW’s performance was in that sense contrary to their strategy, with only the sleeper hits 〈Believer〉 (5.20 million) and 〈The Witness〉 (2.52 million) buoying their ascent to fourth place. Warner Bros. rose to the fifth place with an 8.7% share with the strong performance of 〈Aquaman〉 (3.49 million)²¹ and 〈The Witch: Part 1. The Subversion〉 (3.19 million), and 20th Century Fox gathered an 8.0% share at sixth place with their sleeper hit 〈Bohemian Rhapsody〉 (9.22 million).

Drug King〉 (1.81 million), a highly anticipated film of the winter season, failed to pass its break-even point, while 〈Unstoppable〉 (1.59 million) only managed to pass its break-even point. Seollal’s historical comedy-drama 〈Detective K: Secret of the Living Dead〉 walked away with a rather unsatisfactory performance of 2.44 million. 〈Dark Figure of Crime〉 continued the strong trend of crime films with 3.79 million admissions, while the low-budget horror film 〈Gonjiam: Haunted Asylum〉 created a turning point for Korean horror films with the surprising performance of 2.68 million. Showbox accounted for 12.32 million admissions, a 47.6% decrease from the previous year representing a 5.7% share in admissions.

Showbox, which was ranked at third place in 2017, dropped by 5 places to eighth place in 2018. 〈The

Table 22 • Admissions Share by Distributors, 2014-2018

Rank	2014			2015			2016			2017			2018		
	Distrib- utor	No. of Films Screen- ed	Admi- ssions Share (%)	Distrib- utor	No. of Films Screen- ed	Admi- ssions Share (%)	Distrib- utor	No. of Films Screen- ed	Admi- ssions Share (%)	Distrib- uted by	No. of Films Screen- ed	Admi- ssions Share (%)	Distrib- utor	No. of Films Screen- ed	Admi- ssions Share (%)
1	CJ	31	24.9	CJ	26	22.9	CJ	24	17.4	CJ	25	15.1	Lotte	16	17.1
2	Lotte	30.5	12.1	Show box	11	17.1	Show box	10	13.6	Lotte	18.5	11.4	Disney	12	13.9
3	Sony	16	11.3	Disney	9	11.6	Disney	10	12.3	Show box	7	10.7	CJ	17	13.3
4	Warner Bros.	12	10.8	Fox	16	9.4	Warner Bros.	13	10.3	Disney	13	9.1	NEW	22	9.7
5	Fox	14	8.9	UPI	32	8.6	Fox	14	9.6	UPI	22	9.0	Warner Bros.	15	8.7
	Others	1,084.5	32.0	Others	1,181	30.4	Others	1,594	36.8	Others	1,762.5	44.7	Others	1,878	37.3
	Total	1,188	100.0	Total	1,275	100.0	Total	1,665	100.0	Total	1,848	100.0	Total	1,960	100.0

* Figures for Lotte Shopping were merged into the Lotte CultureWorks.

Table 23 • Total Market Share by Distributors in 2018

Rank	Distributor	No. of Films Screened	Revenue (in KRW)	Sales Ratio	Admissions	Admissions Share
1	Lotte Cultureworks Lotte Entertainment Co.,Ltd	16	307,333,180,230	16.9%	36,984,076	17.1%
2	The Walt Disney Company Korea	12	258,551,234,977	14.3%	30,157,689	13.9%
3	CJ ENM Corp.	17	236,776,913,535	13.1%	28,753,875	13.3%
4	Next Entertainment World Co., Ltd (NEW)	22	174,135,845,067	9.6%	20,917,941	9.7%
5	Warner Bros. Korea	15	161,910,826,906	8.9%	18,818,571	8.7%
6	20th Century Fox Korea	12	149,481,915,002	8.2%	17,348,651	8.0%
7	Universal Pictures International Korea	16	107,760,208,074	5.9%	12,480,452	5.8%
8	Showbox Corp	7	103,284,945,245	5.7%	12,316,659	5.7%
9	Sony Pictures Releasing International	11	95,888,737,044	5.3%	11,461,569	5.3%
10	Megabox Plus M	11	75,050,338,142	4.1%	9,073,144	4.2%
Others		1,821	143,792,925,916	7.9%	18,073,094	8.4%
Total		1,960	1,813,967,070,138	100.0%	216,385,720	100.0%

* Figures for Lotte Shopping were merged into the Lotte Cultureworks Lotte Entertainment Co.,Ltd.

21 Cumulative admissions on 2019.2.12. stood at 5,037,940.

Table 24 • Market Share of Korean Films by Distributors in 2018

Rank	Distributor	Number of Films	Revenue (in KRW)	Sales Ratio	Admissions	Admissions Share
1	Lotte Cultureworks Lotte Entertainment Co.,Ltd	12	235,871,240,513	25.8%	28,555,722	25.9%
2	CJ ENM Corp.	12	228,562,997,524	25.0%	27,675,291	25.1%
3	Next Entertainment World Co., Ltd (NEW)	16	170,601,434,814	18.7%	20,479,102	18.6%
4	Showbox Corp	7	103,284,945,245	11.3%	12,316,659	11.2%
5	Megabox Plus M	8	72,710,389,937	8.0%	8,780,957	8.0%
6	Warner Bros. Korea	3	43,707,915,866	4.8%	5,215,413	4.7%
7	KIDARI ENT CORP.	6.5	15,682,494,485	1.7%	1,916,599	1.7%
8	Little Big Pictures	14.5	14,154,548,900	1.6%	1,718,773	1.6%
9	CGV ARTHOUSE	7	5,833,817,676	0.6%	667,428	0.6%
10	Atnine File Co., LTD.	4	4,533,936,628	0.5%	551,865	0.5%
Others		610	17,802,821,620	2.0%	2,271,465	2.1%
Total		700	912,746,543,208	100.0%	110,149,272	100.0%

* Figures for Lotte Shopping were merged into the Lotte Cultureworks Lotte Entertainment Co.,Ltd.

Table 25 • Market Share of Foreign Films by Distributors in 2018

Rank	Distributor	Number of Films	Revenue (in KRW)	Sales Ratio	Admissions	Admissions Share
1	The Walt Disney Company Korea	11	255,879,843,077	28.4%	29,842,679	28.1%
2	20th Century Fox Korea	12	149,481,915,002	16.6%	17,348,651	16.3%
3	Warner Bros. Korea	12	118,202,911,040	13.1%	13,603,158	12.8%
4	Universal Pictures International Korea	16	107,760,208,074	12.0%	12,480,452	11.7%
5	Sony Pictures Releasing International	11	95,888,737,044	10.6%	11,461,569	10.8%
6	Lotte Cultureworks Lotte Entertainment Co.,Ltd	4	71,461,939,717	7.9%	8,428,354	7.9%
7	ISU C&E	21	13,474,014,652	1.5%	1,759,854	1.7%
8	Smil ENT	7	9,112,332,650	1.0%	1,111,252	1.0%
9	CJ ENM Corp.	5	8,213,916,011	0.9%	1,078,584	1.0%
10	Pop Entertainment Inc.	29	6,742,219,322	0.7%	831,039	0.8%
Others		1,133	65,002,490,341	7.2%	8,290,857	7.8%
Total		1,260	901,220,526,930	100.0%	106,236,448	100.0%

* Figures for Lotte Shopping were merged into the Lotte Cultureworks Lotte Entertainment Co.,Ltd.

B. Market Concentration

Since 2017, the Korean Film Council has implemented a separate section on the market concentration of the Korean film industry to respond to the problems and controversies raised toward the oligopolic structure of the Korean film market and the undue focus on large-scale blockbusters. The 〈Korean Film Industry 2017〉 document has divided the problems into three questions, namely of ① market concentration in film screening and distribution, ② domination in screening allocation (so-called screen monopoly), and ③ market domination by box office hits. This review focuses on ① and ② to provide a more concise reading on the market structure. Indicators used in this analysis include the Concentration Ratio (CRk) and Herfindahl-Hirschman Index (HHI).²²⁾

1) Market Concentration²³⁾

A) Market Concentration in Film Screening

Market concentration in the film screening market for the year 2018 was nearly identical to the previous year’s. CGV, the leading company in terms of box office revenue, had a market share of 49.3%. Lotte

Cinema, second place, had 28.9%, while Megabox, third place, had an 18.7% share. Cine Q and other independent theaters accounted for 3.1% of the market. HHI stood at 3,610, the same as 2017.

Until now, the Korean Film Council did not make a distinction between the direct and contract theaters in its calculation of market concentration, largely because of the absolute influence of multiplex chains in the Korean film industry. Strictly speaking, however, contract theaters are distinct entities from the direct theaters, and must be considered as independent from the direct operation in the calculation of CRk and HHI. 〈Table 27〉 shows the results of the calculation when contract theaters are considered as distinct from direct operation. Even though the new calculation resulted in market shares being reduced across the board, CR3 remains above 75.0 from 2016 onward and thus qualifies them as ‘market-dominating enterprisers’. 2017’s FTC survey and the designation of cinema operation as an industry with monopoly structure stems from this distinction of seeing the contract theaters as being separate from the direct operation.

22 CRk refers to the sum of the market share of top k firms within the relevant market, ordered according to their revenue. CR1 and CR3 are used to determine whether the company qualifies for a ‘market-dominating enterpriser’ under the Monopoly Regulation and Fair Trade Act. If CR1 exceeding 50% or CR3 exceeding 75% means that the companies involved are considered as ‘market-dominating enterprisers’ (Article 4, Monopoly Regulation and Fair Trade Act). Outside the legislation, the Fair Trade Commission designates production industries that have more than 5 years of continued CR1 or CR3 figures as an ‘industry with continuing monopoly structures’, while for service industries the industry is designated as such if the industry fits the description at the time of the survey. 2017’s FTC survey indicates that ‘cinema operation’ is designated as an industry with monopoly structure since 2015. HHI is the sum of squared market share values from all companies within the industry. It is used as one of the standards used within the Monopoly Regulation and Fair Trade Act to survey the market concentration after business combination (refer to ‘Examination Standards for Business Combinations’, FTC). Within that system, HHI of less than 1,200, HHI between 1,200 to 2,500 with less than 250 increases, and HHI of more than 2,500 with less than 150 increases are designated as safe markets that do not limit the competition within. Conversely, markets with HHI between 1,200 and 2,500 and more than 250 increase and markets with HHI of more than 2,500 and 150 increase are estimated to limit competition. United States adopts a slightly different approach, designating markets with less than 1,500 HHI as unconcentrated markets, markets with HHI between 1,500 to 2,500 as moderately concentrated markets, and markets exceeding 2,500 HHI as highly concentrated markets under its Horizontal Merger Guidelines.

23 Until now, Korean Film Council has used the box office revenue ratio from the Korean Box Office Information System to calculate market concentration in the film industry. Strictly speaking, however, market share is based on the total sales generated within the given industry. As such, calculating the market share for the film screening industry requires other forms of sales to be accounted in the calculation process, including advertisement and concessions sales. However, it is also very difficult to provide a precise figure of such revenue, and the structure of the screening business as of now indicates that individual theaters do not necessarily have significant differences in their sales composition. As such, this year’s review utilizes the same principles with the previous year’s and calculates the market share only based on the box office revenue. The same goes for the distribution market, where box office revenue is used to calculate the market share rather than the total sales.

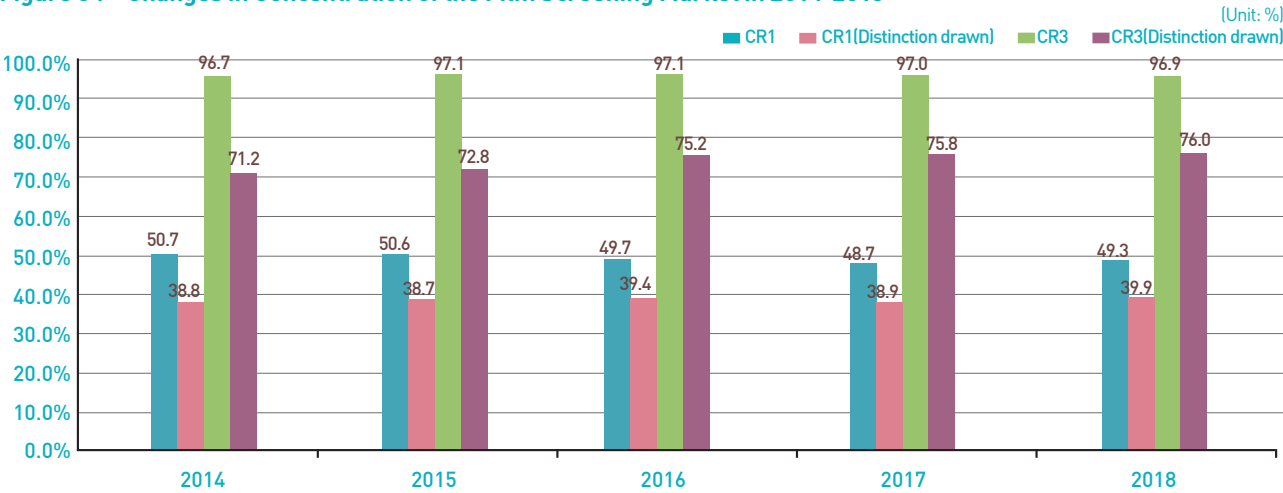
Table 26 • Concentration of the Film Screening Market in 2014-2018

Classification	2014	2015	2016	2017	2018
CJ CGV(CR1)	50.7%	50.6%	49.7%	48.7%	49.3%
Lotte Cinema	28.6%	29.9%	30.1%	30.0%	28.9%
Megabox	17.4%	16.6%	17.3%	18.3%	18.7%
Subtotal (CR3)	96.7%	97.1%	97.1%	97.0%	96.9%
HHI	3,695	3,732	3,680	3,610	3,610

Table 27 • Concentration of the Film Screening Market in 2014-2018 with Distinction between Direct Operation and Contract Theaters

Classification	2014	2015	2016	2017	2018
CJ CGV(CR1)	38.8%	38.7%	39.4%	38.9%	39.9%
Lotte Cinema	23.5%	25.1%	26.2%	26.6%	25.3%
Megabox	8.9%	9.0%	9.6%	10.3%	10.8%
Subtotal (CR3)	71.2%	72.8%	75.2%	75.8%	76.0%
HHI	2,145	2,211	2,339	2,333	2,353

Figure 04 • Changes in Concentration of the Film Screening Market in 2014-2018



B) Concentration of Distribution Market

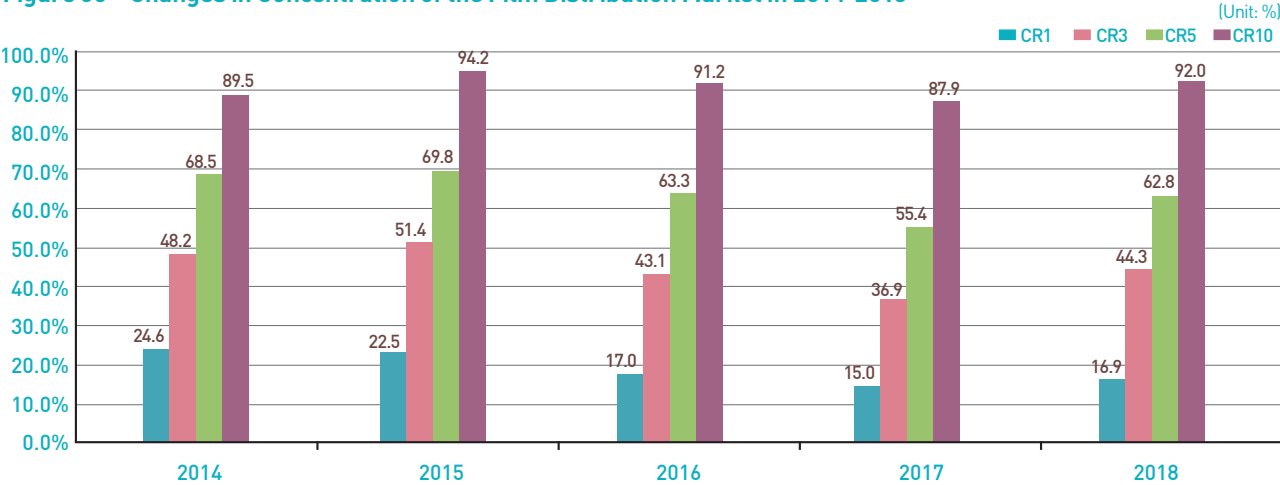
The distribution market remains relatively dispersed compared to the screening market. The total distribution market in 2018 had a CR1 of 16.9 and

CR3 of 44.3. CR5 and CR10 corresponded to 62.8 and 92.0. HHI saw an increase over the previous year to 1,030.

Table 28 • Concentration of the Film Distribution Market in 2014-2018

Classification	2014	2015	2016	2017	2018
Market share of the top 1 revenue company (CR1)	24.6%	22.5%	17.0%	15.0%	16.9%
Market share of the top 3 revenue companies (CR3)	48.2%	51.4%	43.1%	36.9%	44.3%
Market share of the top 5 revenue companies (CR5)	68.5%	69.8%	63.3%	55.4%	62.8%
Market share of the top 10 revenue companies (CR10)	89.5%	94.2%	91.2%	87.9%	92.0%
HHI	1,221	1,268	1,054	864	1,030

Figure 05 • Changes in Concentration of the Film Distribution Market in 2014-2018



Focusing only on the Korean film market shows that its CR1 stands at 25.8, and CR3 at 69.5. CR3 increased by 5.7 compared to the previous year. Generally speaking, the Korean film distribution market shows greater concentration than the overall film distribution market. HHI stood at 1,871, a slight increase from the previous year reflecting some degree of centrality in the market.

C) Vertical Integration and Market Share

The criticism of the Korean film market monopoly reflects a concern much deeper than the screening

and the distribution markets: the crux of the problem, it is argued, is that the companies with the largest market share in the screening and the distribution markets are vertically integrated with each other. <Table 30> shows the market share of the four vertically integrated companies that are currently identified as such in the market. CJ here refers to the distributor CJ ENM (Formerly CJ E&M) and the screen chain CJ CGV. Lotte refers to the distributor Lotte Cultureworks Lotte Entertainment Co.,Ltd (formerly Lotte Entertainment and Lotte Cinema), JoongAng Group refers to the distributor Megabox

PlusM and the screening company Megabox, while NEW refers to the distributor NEW and the screening company CineQ. It must be noted, however, that NEW’s shares in this table only refers to its post-2017 figures.

CJ is the largest vertically integrated company in the screening and distribution market, with an average market share of 50% in the screening and 18% in the distribution market. Lotte Cultureworks Lotte Entertainment Co.,Ltd, which was established through a physical division in 2018, acquired greater

shares in the distribution market with the record-breaking performance of the <Along with the Gods> series. JoongAng Group expanded its shares with its acquisition of Cinus in 2008 and Megabox in 2011. NEW, the latest newcomer to the screening market with CINESTATION Q Gyeongju Bomun, expanded its holdings to 3 direct operation theaters by the end of 2018. Such trends indicate that the market share of such vertically integrated companies are expanding across both the distribution and screening markets.

Table 29 • Concentration of the Korean Film Distribution Market in 2014-2018

Classification	2014	2015	2016	2017	2018
Market share of the top 1 revenue company (CR1)	37.2%	40.5%	27.4%	25.2%	25.8%
Market share of the top 3 revenue companies (CR3)	71.6%	86.7%	69.7%	63.8%	69.5%
Market share of the top 5 revenue companies (CR5)	86.5%	94.3%	83.8%	87.8%	88.8%
Market share of the top 10 revenue companies (CR10)	95.7%	98.0%	97.4%	96.6%	98.0%
HHI	2,149	2,881	1,838	1,692	1,871

Figure 06 • Changes in Concentration of the Korean Film Distribution Market in 2014-2018

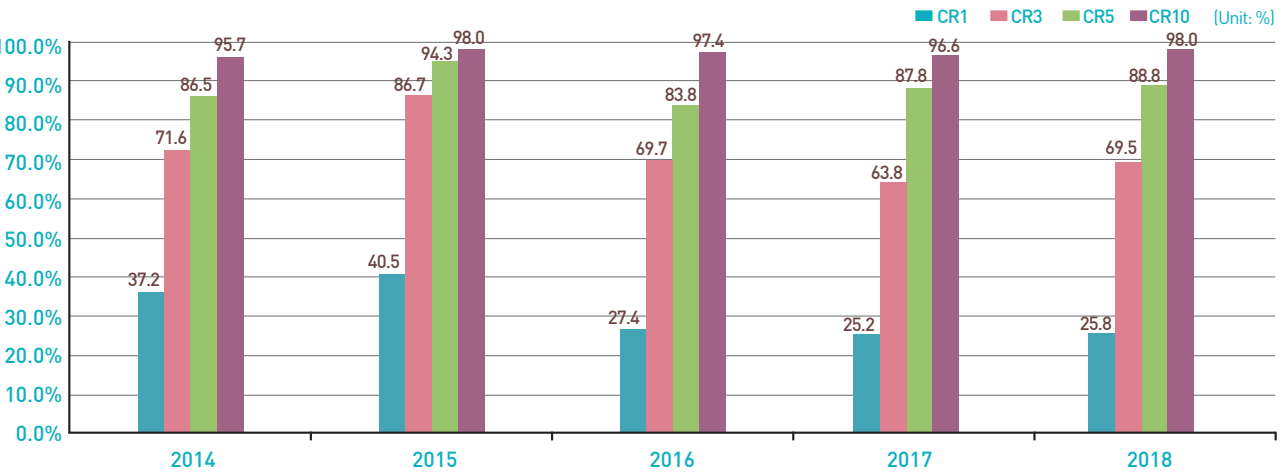
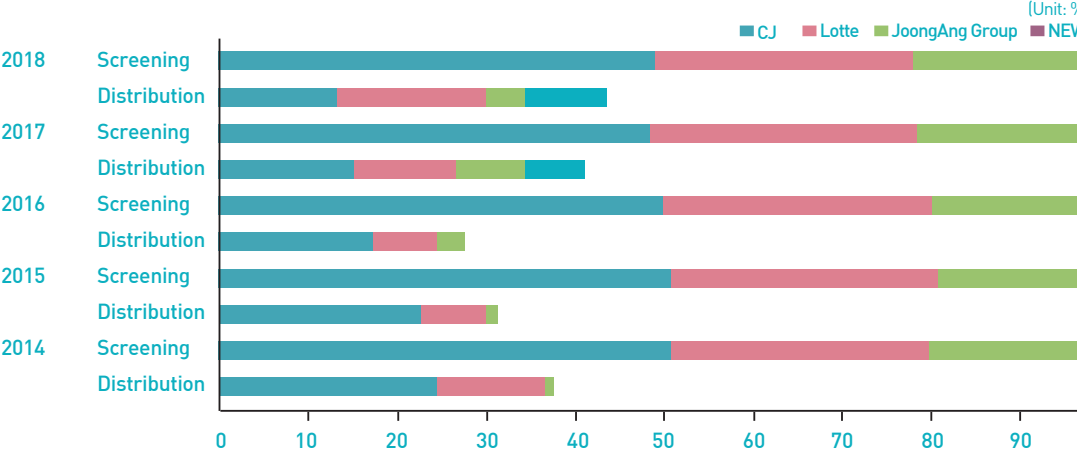


Table 30 • Market Share by Revenue for Vertically Integrated Companies, 2014-2018

Classification	2014			2015			2016			2017			2018		
	Distri-bution	Screening		Distri-bution	Screening		Distri-bution	Screening		Distri-bution	Screening		Distri-bution	Screening	
		Total	Direct / Contract Theater		Total	Direct / Contract Theater		Total	Direct / Contract Theater		Total	Direct / Contract Theater		Total	Direct / Contract Theater
CJ	24.6	50.7	38.8	22.5	50.6	38.7	17.1	49.7	39.4	15.0	48.7	38.9	13.1	49.3	39.9
Lotte	11.9	28.6	23.5	7.5	29.9	25.1	7.6	30.1	26.2	11.4	30.0	26.6	16.9	28.9	25.3
JoongAng Group	1.0	8.9	16.9	1.3	16.6	9.0	2.9	17.3	9.6	7.6	18.3	10.3	4.1	18.7	10.8
NEW	-	-	-	-	-	-	-	-	-	6.9	0.06	0.06	9.6	0.5	0.4
Total	37.5	88.2	79.2	31.3	97.1	72.8	27.6	97.1	75.2	40.9	97.0	75.8	43.7	96.9	76.4

Figure 07 • Market Share by Revenue for Vertically Integrated Companies, 2014-2018



2) Domination in Screening Allocation

An overview of the daily screening allocation in 2018 shows that films with greatest shares have on average 33% of the day’s total screening, and that this share has consistently been rising for the past 5 years. Films ranked at second and third place had 20.7% and 13.8% shares each, and taken together the top 3 films had 67.5% of the total screening between them. The average value for the last 5 years stood at 63.5%, showing that film screening slots are indeed being funneled to the top.

〈Figure 8〉 shows the changes in the daily screening share from January 1st to December 31st, 2018. Areas shaded in blue refer to first place, while second, third, and the rest are shaded in red, green, and purple respectively. Integration of these parts yield the figures presented in 〈Table 31〉, namely 33.0%, 20.7%, 13.8%, and 32.5% respectively.

Late April to early August was the highest point for screening allocation, which coincide with the release of blockbuster films such as 〈Avengers: Infinity War〉, released in April; 〈Deadpool 2〉, released in May;

〈Jurassic World: Fallen Kingdom〉, released in June; 〈Ant-Man and the Wasp〉, released in July, and 〈Along with the Gods: The Last 49 Days〉, released in late August.

A further analysis was undertaken for films with more than 40% daily screening allocation for the last 5 years, focusing on the relationship between the screening allocation and their performance at the box office. The result of this analysis indicates that the top 3 highest-grossing films in each year had more than 40% daily screening allocation on average and had the highest rate of allocation within 1 week of their release, suggesting that a certain relationship exists between daily screening allocation and box office performance. In 2018, 4 Hollywood films had more than a 40% average daily screening allocation rate. 〈Avengers: Infinity War〉 in particular had the highest screening allocation rate at 77.4% and 21

days with more than 40% screening allocation. 〈Along with the Gods: The Last 49 Days〉, following on the successes of the previous 〈Along with the Gods - The Two Worlds〉, started with a 53.3% share of screening allocation and reached 59% on its fourth day, becoming the highest grossing film of 2018 with 12,274,996 admissions and a 5.7% share in total revenue.

Of course, screening allocation does not automatically lead to box office hits. Some films had received significant shares of allocation in anticipation for their performance, but ended up with low seat sales²⁴. 〈Believer〉, for example, had been allocated with 44.2% of screening at its highest, but only managed to sell 9.2% of the actual seats.

Table 31 • Screening Share by Rank, 2014-2018

Classification	2014	2015	2016	2017	2018
1st	28.2%	30.1%	31.7%	31.8%	33.0%
2nd	18.9%	19.2%	18.0%	19.6%	20.7%
3rd	13.8%	13.6%	12.1%	13.1%	13.8%
Subtotal of Top 3	60.9%	62.9%	61.8%	64.5%	67.5%
The rest	39.1%	37.1%	38.2%	35.5%	32.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Figure 08 • Daily Screening Share Changes in 2018

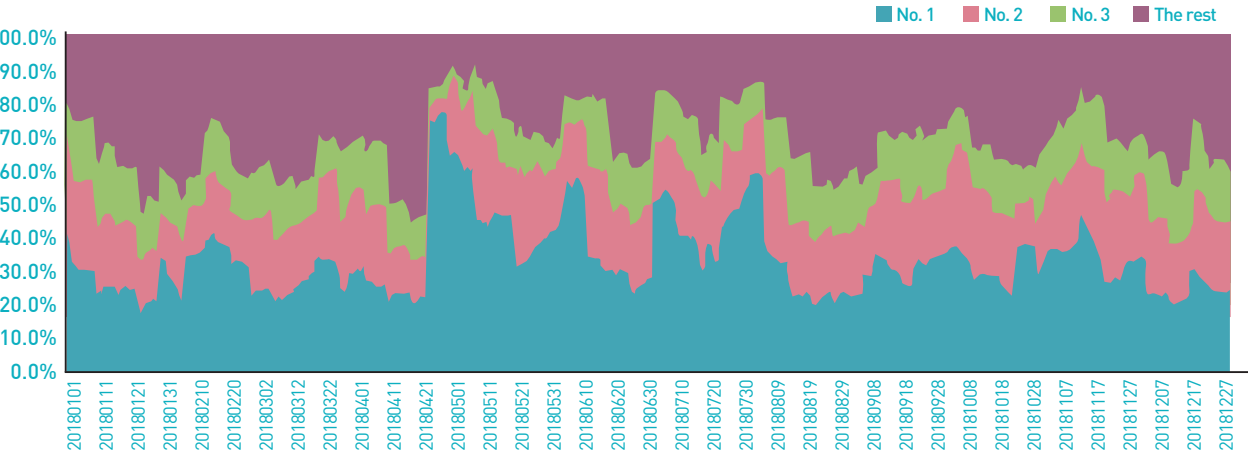


Table 32 • Films with More than 40% Daily Screening Allocation, 2014-2018

Year	Title	Highest Daily Screening Allocation	Seat Sales at Maximum Screening Allocation	Date of Release	Date of Highest Screening Allocation	No. of Days with more than 40% Screening Allocation	Rank by Yearly Revenue	Yearly Revenue Share
2014	Transformers: Age of Extinction	58.8%	55.3%	06.25	06.28	8	8	2.6%
	Roaring Currents	52.3%	59.9%	07.30	08.05	14	1	8.2%
	The Amazing Spider-Man 2	48.3%	41.7%	04.23	04.26	7	12	2.1%
	Kundo: Age of the Rampant	47.3%	60.1%	07.23	07.27	7	9	2.2%
	Interstellar	45.4%	59.7%	11.06	11.16	12	3	4.8%
	Captain America: The Winter Soldier	40.8%	41.9%	03.26	03.30	2	15	1.9%
2015	Avengers: Age of Ultron	68.3%	57.4%	04.23	04.26	20	3	5.2%
	Jurassic World	46.6%	42.8%	06.11	06.14	6	10	2.8%
	Assassination	46.4%	68.7%	07.22	07.26	8	2	5.7%
	The Throne	46.4%	22.5%	09.16	09.18	8	6	2.8%
	The Priests	40.8%	12.8%	11.05	11.16	4	11	2.5%
	Terminator: Genisys	40.5%	22.4%	07.02	07.02	2	19	1.5%

24 Seat sales here refers to the total number of seats sold for the film on a specific date, divided by the total allocated number of seats to that film on the same day.

Year	Title	Highest Daily Screening Allocation	Seat Sales at Maximum Screening Allocation	Date of Release	Date of Highest Screening Allocation	No. of Days with more than 40% Screening Allocation	Rank by Yearly Revenue	Yearly Revenue Share
2016	Captain America: Civil War	68.5%	51.9%	04.27	05.01	15	3	4.25%
	Train to Busan	57.7%	64.0%	07.20	07.24	7	1	5.3%
	Batman v Superman: Dawn of Justice	54.1%	32.8%	03.24	03.24	6	30	1.1%
	A Violent Prosecutor	53.6%	55.0%	02.03	02.08	14	2	4.4%
	Doctor Strange	52.3%	26.6%	10.26	10.26	8	10	2.7%
	Kung Fu Panda 3	46.3%	36.8%	01.28	01.31	6	16	1.8%
	The Wailing	45.3%	17.6%	05.12	05.18	7	8	3.2%
	Fantastic Beasts and Where To Find Them	43.9%	39.1%	11.16	11.20	4	13	2.3%
	Master	43.3%	30.4%	12.21	12.23	7	11	2.3%
	The Age of Shadows	41.7%	46.4%	09.07	09.11	3	4	3.5%
2017	Spider-Man: Homecoming	63.0%	50.7%	07.05	07.09	15	4	3.4%
	The Battleship Island	55.8%	30.6%	07.26	07.28	7	6	2.9%
	Transformers: The Last Knight	51.5%	18.9%	06.21	06.21	7	25	1.2%
	Thor: Ragnarok	48.6%	39.9%	10.25	10.28	8	11	2.2%
	A Taxi Driver	48.2%	50.6%	08.02	08.08	5	1	5.5%
	Kingsman: The Golden Circle	47.6%	33.7%	09.27	09.27	6	10	2.3%
	Beauty and the Beast	47.1%	38.4%	03.16	03.19	4	9	2.4%
	Along with the Gods - The Two Worlds	47.0%	78.1%	12.20	12.25	10	2	3.9%
	The Fate of the Furious	43.4%	28.4%	04.12	04.16	7	16	1.7%
2018	Pirates of the Caribbean: Dead Men Tell No Tales	42.9%	15.3%	05.24	05.24	1	20	1.4%
	Dunkirk	41.1%	15.3%	07.20	07.20	2	22	1.4%
	The Swindlers	40.8%	12.4%	11.22	11.27	2	12	1.8%
	The Mummy	40.7%	32.4%	06.06	06.10	2	15	1.7%
	Avengers: Infinity War	77.4%	51.1%	04.25	04.29	21	2	5.5%
	Along with the Gods: The Last 49 Days	59.0%	75.7%	08.01	08.04	7	1	5.7%
	Jurassic World: Fallen Kingdom	57.7%	41.4%	06.06	06.09	7	5	2.7%
	Ant-Man and the Wasp	54.4%	43.0%	07.04	07.07	9	6	2.6%
	Mission: Impossible – Fallout	48.3%	56.9%	07.25	07.29	7	4	3.1%
	Deadpool 2	47.3%	25.3%	05.16	05.16	6	14	1.9%
	Fantastic Beasts: The Crimes of Grindelwald	46.8%	18.6%	11.14	11.14	3	30	1.1%
	Believer	44.2%	9.2%	05.22	06.04	5	10	2.4%
	Black Panther	41.3%	38.0%	02.14	02.16	2	8	2.5%

* Revenue share for the year is based on the data drawn from the Korean Box Office Information System up until December 31st, 2018, and may differ from other sources.
* Shaded films refer to films with more than 10 million admissions.

C. Independent · Art Films²⁵⁾

1) Box Office of Independent · Art Films

In total, 496 independent · art films opened in 2018, which remains quite similar to the previous year’s record of 499. Their ratio in the total number of films released stood at 30.1%, again quite similarly to the previous year. However, the number of admissions stood at 8,579,356, a 12.3% decrease from the previous year. While their ratio to the total admission

figure went down by 0.5% to 4.0%, this decrease was much more substantial than the total decrease in the number of admissions (-1.6%).

An examination of the share of releases, admission, and revenue of Korean independent · art films reveals that while the number of releases remained similar to the previous year, the number of admissions and revenue showed significant decline, which serves to demonstrate the current predicament of Korean independent · art films in 2018.

In order to have a clearer look at the current situation of Korean independent · art films, the number of

Table 33 • Independent-Art film Releases and Admissions for the Last Five Years

Classification		2014	2015	2016	2017	2018
No. of Films Released	Independent-Art Films	367	349	434	499	496
	YoY Growth (%)	10.2%	-4.8%	24.4%	15.0%	-0.6%
	Total	1,095	1,176	1,520	1,621	1,646
	Share of Independent-Art Films	33.5%	29.7%	28.6%	30.8%	30.1%
Nationwide Admissions (based on screened films)	Independent-Art Films	14,283,284	8,307,266	8,142,506	9,785,795	8,579,356
	YoY Growth (%)	283.6%	-41.8%	-2.0%	20.2%	-12.3%
	Total	215,056,852	217,288,819	217,024,355	219,874,992	216,385,720
	Share of Independent-Art Films	6.6%	3.8%	4.5%	4.5%	4.0%

* Official data from Korean Box Office Information System was used from 2014 onward.

Table 34• Share of Korean Independent-Art Films in the Number of Opening, Admissions, Revenue compared to Total

Classifi- cation	No. of Release			Nationwide Admissions			Revenue (in KRW)		
	Total	Korean	Admissions Share	Total	Korean	Admissions Share	Total	Korean	Admissions Share
2018	496	113	22.8%	8,579,356	1,104,499	12.9%	61,066,664,685	8,807,262,388	14.4%
2017	499	107	21.4%	9,785,795	2,119,612	21.7%	73,020,782,638	15,809,592,788	21.7%

25 The Korean Film Council is responsible for recognition of independent and art films based on Article 38, Paragraph 1, Subparagraph 2, 'Promotion of the Motion Pictures and Video Products Act'. Art films or independent films here refer to those that were reviewed and recognized as such by the Korean Film Council based on that regulation or policy.

openings, admissions, and revenue of Korean independent-art films were compared to the total. Korean independent and art films make up 9.5% of the total number of films released in 2018, but only account for 0.5% of the number of admissions. This is half of the 1% level that Korean independent films managed to maintain after their peak in 2014, brought on by the popularity of the film <My Love, Don't Cross That River>.

The highest grossing independent-art film in 2018 was the sleeper hit <What Happened to Monday>, which managed to gather more than 0.9 million admissions. It was the second CGV exclusive film to take first place, following the example of 2017's leader <Let Me Eat Your Pancreas>. The interpretation of this success generated quite a debate on how to approach the exclusive release in the limited market of independent-art films. An exclusive release may be an 'unavoidable' and rational decision for the independent-art film producer / importer / distributors thanks to their potential in limiting the P&A costs, but it nevertheless must be said that the film industry as a whole does not benefit from

large companies seizing the initiative within the independent-art film market.

There were 15 independent-art films that managed to surpass the 100,000 admissions mark in 2018, and <Intention> was the only Korean film among them. <Intention> is a documentary film covering the Sewol ferry disaster of 2014. It is notable for being

Figure 09 • Korean Independent-Art Film Releases for the Last Five Years

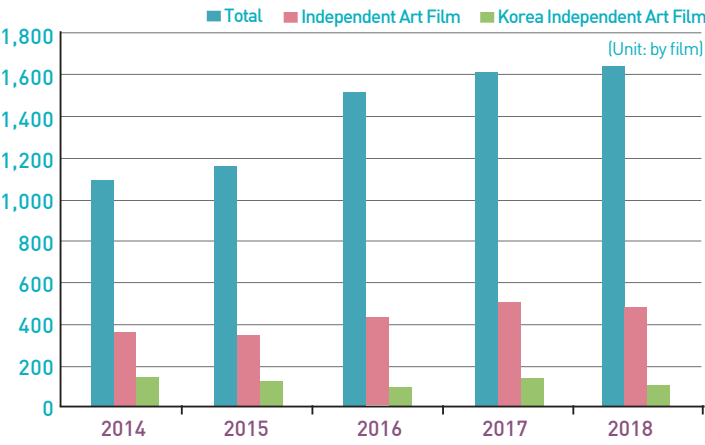
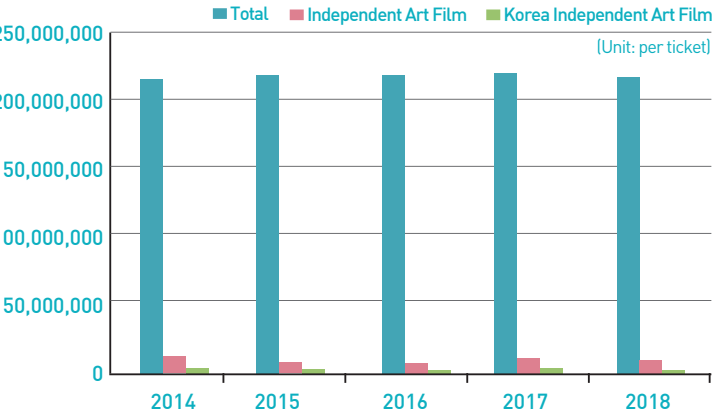


Figure 10 • Korean Independent-Art Film Admissions for the Last Five Years



decidedly different from the usual independent-art films in its crowdfunding, promotion, and audience generation. <Microhabitat> was the second highest grossing Korean independent-art film in 2018, but its performance of 59,110 would have only put it in ninth place in terms of the previous year's records. Despite the struggles of Korean independent-art films, foreign independent-art films managed to maintain their admission figures quite similarly to previous years, including the first place<What Happened to Monday>.

Table 35 • Korean Independent-Art Film Releases and Admissions Share for the Last Five Years

Year	No. of Release					Nationwide Admissions				
	Total	Independ-ent-Art Film	Korean Independ-ent-Art Film	Market Share	Market Share of Korean Independent -Art Films	Total	Independ-ent-Art Film	Korean Independ-ent-Art Film	Market Share	Market Share of Korean Independent -Art Films
2014	1,095	367	140	12.8%	38.1%	215,056,852	14,283,284	5,612,902	2.6%	39.3%
2015	1,176	349	132	11.2%	37.8%	217,288,819	8,307,266	2,454,138	1.1%	29.5%
2016	1,520	434	103	6.8%	23.7%	217,024,355	8,142,506	1,716,294	0.8%	21.1%
2017	1,621	499	107	6.6%	21.4%	219,874,992	9,785,795	2,119,612	1.0%	21.7%
2018	1,646	496	113	6.9%	22.8%	216,385,720	8,579,356	1,104,499	0.5%	12.9%

Table 36 • Box Office Results for Top 10 Independent-Art Films, 2018

Rank	Title	Date of Release	Rating	Origin	No. of Screens	Admissions	Revenue (in KRW)	Distributor
1	What Happened to Monday	2018-02-22	15	Great Britain	381	903,175	7,489,885,100	Smile ENT
2	Intention	2018-04-12	15	Korea	643	540,631	4,446,000,528	Atnine Film Co., Ltd
3	Paddington 2	2018-02-08	All	France	629	339,014	2,555,480,200	Isu C&E
4	Midnight Sun	2018-06-21	12	United States	472	326,086	2,679,300,500	KIDARI ENT
5	Paul, Apostle of Christ	2018-10-31	15	United States	227	267,785	2,100,137,400	CBS
6	12 Strong	2018-01-31	15	United States	211	223,740	1,833,626,400	JNC Media Group
7	Call Me by Your Name	2018-03-22	R	Italy	192	198,945	1,663,750,988	Sony Pictures Releasing International
8	The Miracles of the Namiya General Store	2018-02-28	All	Japan	532	191,988	1,456,136,885	Isu C&E
9	Pokémon: The Rise of Darkrai	2018-06-06	All	Japan	588	183,421	1,394,555,400	Isu C&E
10	Shoplifters	2018-07-26	15	Japan	126	170,743	1,411,660,900	t.cast

Table 37 • Box Office Results for Top 10 Independent-Art Films, 2018 (Korean)

Rank	Title	Date of Release	Rating	No. of Screens	Admi-ssions	Revenue (in KRW)	Director	Producer	Distributor
1	Intention	2018-04-12	15	643	540,631	4,446,000,528	Kim Ji-young	Project Boo	Atnine Film Co., Ltd
2	Microhabitat	2018-03-22	15	284	59,110	472,636,200	Jeon Go-woon	Gwanghwamun Cinema, MOTTO	CGV Arthouse
3	True Fiction	2018-04-25	15	434	49,682	392,591,200	Kim Jin-muk	Peppermint & Company, Rhythmical Green	Storm Pictures Korea, Peppermint & Company
4	The Children Gone to Poland	2018-10-31	All	181	48,462	371,846,800	Chu Sang-mi	Boaz Film	Connect Pictures Inc.
5	Mothers	2018-04-19	15	371	25,789	206,779,428	Lee Dong-eun	Myung Films	CGV Arthouse
6	Youngju	2018-11-22	12	106	24,676	191,696,250	Cha Sung-duk	K-art Youngju Production	CGV Arthouse
7	The Gateless Gate	2018-04-19	All	43	21,808	166,650,700	Park Dae-Won	TBC	Manon
8	After My Death	2018-09-13	15	70	21,317	181,639,950	Kim Eui-suk	Korean Academy of Film Arts	CGV Arthouse
9	Myeoneuri: My Son's Crazy Wife	2018-01-17	12	60	19,843	154,328,100	Seon Ho-bin	Yeonghwa Yeonguso	SYcomad, storyforest
10	The March for the Lost	2018-05-16	15	160	18,023	139,985,700	Park Ki-bok	R&O Entertainment, Mudangbeolle Film	R&O Entertainment

Table 38 • Box Office Results for Top 10 Independent-Art Films, 2018 (Foreign)

Rank	Title	Date of Release	Rating	Origin	No. of Screens	Admissions	Revenue (in KRW)	Distributor
1	What Happened to Monday	2018-02-22	15	Great Britain	381	903,175	7,489,885,100	Smile ENT
2	Paddington 2	2018-02-08	All	France	629	339,014	2,555,480,200	Isu C&E
3	Midnight Sun	2018-06-21	12	United States	472	326,086	2,679,300,500	KIDARI ENT
4	Paul, Apostle of Christ	2018-10-31	15	United States	227	267,785	2,100,137,400	CBS
5	12 Strong	2018-01-31	15	United States	211	223,740	1,833,626,400	JNC Media Group
6	Call Me by Your Name	2018-03-22	R	Italy	192	198,945	1,663,750,988	Sony Pictures Releasing International
7	The Miracles of the Namiya General Store	2018-02-28	All	Japan	532	191,988	1,456,136,885	Isu C&E
8	Pokémon: The Rise of Darkrai	2018-06-06	All	Japan	588	183,421	1,394,555,400	Isu C&E
9	Shoplifters	2018-07-26	15	Japan	126	170,743	1,411,660,900	t.cast
10	The Post	2018-02-28	12	United States	281	139,389	1,102,464,148	CGV Arthouse

2) Recognition of Independent-Art Films

In 2018, a total of 28 independent films were automatically approved²⁶⁾, while 89 out of the 121 films that applied for recognition were recognized as independent films with a recognition rate of 73.6%. A total of 117 independent films were thus recognized as Korean independent films in 2018.

As for art films, automatically recognized²⁷⁾ works came to 526, while a total of 431 or 75.2% of 573 applications were recognized as art films. In total 957 art films were thus recognized as Korean art films by the Korean Film Council in 2018.

D. Digital Online Markets ²⁸⁾

The digital and online film market in 2018 reached KRW 473.9 billion, an 8.6% increase from the

previous year. Inter-market competition led to the Internet VOD revenue declining slightly to KRW 72.8 billion, while the TV VOD market increased by 11.3% to KRW 394.6 billion, making up 83% of the digital online market. There were no significant changes to the share of the Internet VOD market, while the TV VOD market showed consistent growth through the increase of exclusive content, varied pricing, and adjustments to the holdback periods. Even though the Internet VOD market has seen much growth in the wake of fierce competitions between domestic and international OTT services, the Korean digital and online film market is still statistically dominated by TV VOD. This has led to some parts of the industry speculating that films would see greater performance in TV VOD than in mobile platforms. Nevertheless, rapid progress of IT applications and the expansion of mobile proficiency among users may result in rapid expansions to the Internet VOD market beyond any prediction.

Table 39 • Application and Recognition Status of Independent-Art Films in 2018

Independent Films			Art Films			
Automatic Approval		28	Automatic Approval		526	
Applied for Evaluation	Recognized	89	Applied for Evaluation	Recognized	431	
	Evaluation Exempted	8		Evaluation Exempted	14	
	Evaluation Withheld	2		Evaluation Withheld	6	
	Rejected	22		Approval Canceled	0	
					Rejected	122
Independent Films Approval/Recognition		117	Art Films Approval/Recognition		957	

26 As of 2018, movies that fall into the following categories are eligible for automatic recognition as independent films. Articles 2 and 3 have been newly established in May 2018.

1. Films that received KOFIC’s production or distribution support.

2. Films that received production or distribution support from the central or regional governments or public organizations (regional film committees).

3. Films that were selected through the public independent film festivals hosted in Korea (including short films and international films).

27 As of 2018, movies that fall into the following categories are eligible for automatic recognition as art films. While article 2 contained animated films as eligible art films, the continued inclusion of films that were not considered as art films resulted in the deletion of article 2 in May 2018. Market share criterion was also raised to 2% following the expansion of the documentary market and other such factors.

1. Films that received KOFIC’s production or distribution support.

2. Films of the type with a market share of less than 2%, such as documentary, short films, and experimental films.

3. Films from a country whose market share average accounted for less than 1% for the past three years. However, if the film is released simultaneously to more than 100 theaters at its opening, the film must be reviewed before its recognition.

Table 40 • Digital Online Market Volume, 2014-2018

(Unit: in KRW 100 million)

Classifi- cation	2014			2015			2016			2017			2018		
	Sales	Ratio	YoY Change	Sales	Ratio	YoY Change	Sales	Ratio	YoY Change	Sales	Ratio	YoY Change	Sales	Ratio	YoY Change
TV VOD	2,254	75.9%	29.8%	2,609	77.9%	15.7%	3,347	81.1%	28.3%	3,543	81.2%	5.9%	3,946	83.3%	11.4%
Internet VOD	499	16.8%	-31.6%	582	17.4%	16.6%	679	16.5%	16.7%	752	17.2%	10.8%	728	15.4%	-3.2%
Packages	218	7.3%	3.8%	158	4.7%	-27.4%	99	2.4%	-37.3%	67	1.5%	-32.3%	65	1.4%	-3.0%
Total	2,971	100%	11.0%	3,349	100%	12.7%	4,125	100%	23.2%	4,362	100%	5.7%	4,739	100%	8.6%

1) TV VOD (IPTV and Digital Cable TV)

As of December 2017, 14.33 million households subscribed to IPTV, and 7.75 million households²⁹⁾ subscribed to digital cable TV. That represents an 11.2% increase in the number of IPTV subscribers. The average rate of growth for IPTV revenue for the last 10 years since its beginning in 2008 has been 38.2%.³⁰⁾ With such explosive growth, TV VOD’s revenue and simultaneous screening services have increased substantially as well.

The highest grossing TV VOD film in 2018 and the historical record for TV VOD revenue was 〈Along with the Gods - The Two Worlds〉 (approx. KRW 11.69 billion), which was released to theaters in December 2017. Second place was taken by 〈Along with the Gods: The Last 49 Days〉 (approx. KRW 7.96

Figure 11 • Digital Online Market Trend, 2014-2018

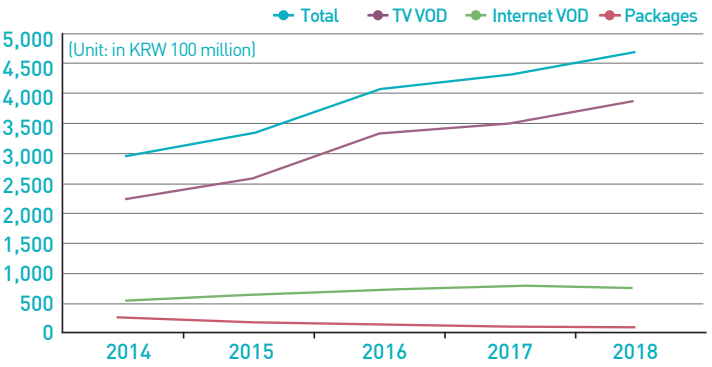


Table 41 • TV VOD (IPTV and Digital Cable TV) Volume, 2014-2018

Classification	2014	2015	2016	2017	2018
Revenue (in KRW 100 million)	2,254	2,609	3,347	3,543	3,946
YoY Growth[%]	29.7%	15.7%	28.3%	5.9%	11.3%

billion), which was released to theaters in August 2018. The extraordinary success of the 〈Along with the Gods - The Two Worlds〉 is attributed to the spike in demand caused by the release of its sequel, 〈Along with the Gods: The Last 49 Days〉, and the joint promotions offered for the two films in different platforms. The extraordinarily high viewing figure of 〈Along with the Gods - The Two Worlds〉 (1.72 million views), especially compared to the previous year’s highest-grossing TV VOD film, 〈The Outlaws〉 (KRW 11.03 billion, 1.17 million views), suggests that the former has benefitted significantly through package discounts and other promotional strategies. It also suggests that if the content itself continues to be discussed in the market, it will have an effect on VOD sales as well. 2018 also saw a continued dominance of crime action

films. Korean films such as 〈The Witch: Part 1. The Subversion〉, 〈Believer〉, and 〈Steel Rain〉 joined the top 10, while 〈Jurassic World: Fallen Kingdom〉 and 〈Avengers: In finity War〉 also performed quite well in the VOD market. In particular, 〈The Witch: Part 1. The Subversion〉 was ranked at 21st place in terms of box office with 3.19 admissions. Its performance in the TV VOD market, however, generated nearly 921,000 views and a revenue of KRW 6.91 billion, placing it in third place in the ranking. Another point of interest is the lackluster performance of Marvel films in TV VOD market, especially in light of their dominance in 2018. This is attributed to the relatively long hold back period of these films as well as the series continuity and the learning curve of the film series failing to take their box office performance to the home market.

Table 42 • Total Film Rankings in Revenue for TV VOD (IPTV and Digital Cable TV) in 2018

Rank	Title	Revenue (in KRW 100 million)	Views
1	Along with the Gods - The Two Worlds	116.9	1,727,098
2	Along with the Gods: The Last 49 Days	79.6	927,021
3	The Witch: Part 1. The Subversion	69.1	920,712
4	Believer	65.5	850,146
5	Steel Rain	63.2	811,376
6	Jurassic World: Fallen Kingdom	62.1	700,770
7	Avengers: Infinity War	57.1	710,390
8	1987: When the Day Comes	54.9	766,223
9	The Great Battle	47.2	602,667
10	Dark Figure of Crime	45.1	579,262
11	Coco	43.7	605,417
12	The Accidental Detective 2: In Action	42.7	560,987
13	The Spy Gone North	41.8	522,596
14	Mission: Impossible – Fallout	41.7	487,348
15	Unstoppable	41.5	470,745
16	Keys to the Heart	38.7	640,309
17	Black Panther	37.3	546,183
18	Jumanji: Welcome to the Jungle	36.7	479,885
19	Deadpool 2	36.6	449,736
20	Rampage	36.0	449,069

28 The film industry has always used the word ‘secondary markets’ to refer to the distribution channels outside film screening, and the majority of that market was made up of VHS and DVD sales. However, today’s secondary market is already dominated by digital and online media. As such, this section is dedicated to identifying the general status of the film secondary market using sales from digital and online markets. Korean Film Council distinguishes the digital online market into TV VOD and Internet VOD. TV VOD refers to platforms offered through TV, while Internet VOD refers to web- or mobile-based VOD services and file storage services. DVD and Blu-ray markets are also included in the tally, even though they are not digital or online media in the strictest sense. The following table provides an overview of this classification scheme:

Classification	Content
TV VOD (IPTV and digital cable TV)	VOD platform service through TV
Internet VOD	PC and mobile-based online VOD service platforms or file storage service
Packages	DVD and Blu-ray

However, rapid changes in these Internet-based services make it difficult for a comprehensive overview of the market to be drawn. As such, this section contains estimates that are based on the sales data from certain platforms and distributors. The Korean Film Council is currently working to establish the ‘Korean Online Box Office Information System’ in order to provide accurate statistics and policy support toward these digital online markets.

29 〈Broadcast Industry Status Report 2018〉 (Ministry of Science, ICT and Future Planning/Korea Communications Commission, November 2018, pg. 135-138. Statistics presented in the report are based on ‘units’ (unit devices with contract), but for the purposes of this report the unit has been changed to ‘households’.

30 <http://www.inews24.com/view/1141231>

Table 43 • Korean Film Rankings in Revenue for TV VOD (IPTV and Digital Cable TV) in 2018

Rank	Title	Revenue (in KRW 100 million)	Views
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3	The Witch: Part 1. The Subversion	69.7	920,712
4	Believer	65.4	850,146
5	Steel Rain	63.1	811,376
6	1987: When the Day Comes	54.9	766,223
7	The Great Battle	47.1	602,667
8	Dark Figure of Crime	45.0	579,262
9	The Accidental Detective 2: In Action	42.7	560,987
10	The Spy Gone North	41.8	522,596

Table 44 • Foreign Film Rankings in Revenue for TV VOD (IPTV and Digital Cable TV) in 2018

Rank	Title	Revenue (in KRW 100 million)	Views
1	Jurassic World: Fallen Kingdom	62.1	710,390
2	Avengers: Infinity War	57.1	700,770
3	Coco	43.7	605,417
4	Mission: Impossible – Fallout	41.7	487,348
5	Black Panther	37.3	546,183
6	Jumanji: Welcome to the Jungle	36.7	479,885
7	Deadpool 2	36.6	449,736
8	Rampage	36.0	449,069
9	Thor: Ragnarok	31.5	581,119
10	Venom	28.3	358,854

2) Internet VOD

The Internet VOD market stood at KRW 72.8 billion, representing a 3.2% decrease from the previous year. While the TV VOD market has shown a consistent growth in the past few years, buoyed

by the general growth of their basis, Internet VOD market has fluctuated below the KRW 80 billion mark for the past 5 years. While common OSP³¹⁾ sales stood at KRW 54.1 billion on a similar level to the previous year’s, special OSP revenue decreased by more than 10% to KRW 18.7 billion.

This is estimated to be the result of the increasing regulation of file storage services from 2018 onward and the subsequent movement of consumers to other platforms.

Based on Internet VOD companies that have submitted their statistical reports, the ratio of TVOD (single-instance purchase) and SVOD (monthly subscription) among common OSPs appeared to be 67:33. While the TVOD revenue has increased, SVOD revenue decreased by more than 40%. This is attributed to the stabilization of the SVOD growth after its growth spurt in 2016 following the emergence of different OTT services and the general increase in the number of TVOD purchases to supplement these monthly subscription policies.³²⁾

The ranking of Korean film VOD sales provided by NAVER SERIES shows that films that performed well at the box office, such as the 〈Along with the Gods〉 series, also performed well at the Internet VOD market. Because Internet VOD tends to focus on individual customers, R-rated films tend to perform better than TV VOD. 2018 likewise saw the continuation of this trend with 〈High Society〉 (0.77 million views) and 〈Fifty Shades Freed〉 (0.21 million views) being located at the top of the ranking. The fact that films that were not released in 2018, such as 〈Fantastic Beasts and Where to Find Them〉, still perform quite well in the Inter VOD market also demonstrates the unique characteristic of the digital and online market, namely the availability of older films regardless of the current market.

Table 45 • Internet VOD Market Volume, 2014-2018

Classification		2014	2015	2016	2017	2018
Revenue (in KRW 100 million)		499	582	679	752	728
	Common OSP (in KRW 100 million)	291	371	534	544	541
	Special OSP (in KRW 100 million)	208	211	145	208	187
YoY Growth (%)		-31.5%	16.7%	16.7%	10.8%	-3.2%

Table 46 • 2018 NAVER SERIES Film View Rank

Korean Films		Foreign Films	
Rank	Title	Rank	Title
1	Along with the Gods - The Two Worlds	1	Avengers: Infinity War
2	The Witch: Part 1. The Subversion	2	Fifty Shades Freed
3	Along with the Gods: The Last 49 Days	3	Coco
4	Little Forest	4	Thor: Ragnarok
5	1987: When the Day Comes	5	Black Panther
6	Believer	6	Deadpool 2
7	High Society	7	I Feel Pretty
8	On Your Wedding Day	8	The Greatest Showman
9	Steel Rain	9	Guardians of the Galaxy Vol. 2
10	Intimate Strangers	10	Fantastic Beasts and Where to Find Them

31) OSP (Online Service Provider) refers to 1) “A person who transmits, designates a route of, or provides connections to the works, etc. selected by users to deliver such works, etc. without any modification of their content through the information and communications networks”, and 2) “A person who provides the services to allow users to access the information and communications networks or reproduce or interactively transmit the works, etc. through the information and communications networks, or who provides or operates facilities therefor” (Copyright Act, Article 2, Paragraph 30). OSPs that focus on “enabling interactive transmission of works, etc. by using computers between other persons” are referred to as “online service provider of special type” (Copyright Act, Article 104, Paragraph 1), and all other types of OSPs are referred to as common OSPs. The Ministry of Culture, Sports and Tourism focuses on file storage services and P2P companies in their regulation of online service providers of special type.

32) Foreign OTT services including Netflix are not included in this figure.

3) Packaged Products

Unlike the growth of TV and Internet VOD markets, package products are continuing their trend of decline each year. 2018’s total revenue in the package market is estimated to be KRW 6.5 billion.³³⁾ This represents a 3.0% decrease from the previous year’s KRW 6.7 billion, but the rate of decline is actually substantially decreased from the previous year, when the revenue dropped by 32.3%.

Korean films that performed well in the package market included 〈A Taxi Driver〉, 〈Memoir of a Murderer〉, and 〈V.I.P.〉, while for foreign films Disney’s domination was readily apparent in the performance of 〈Avengers: Infinity War〉,〈Thor: Ragnarok〉, and 〈Coco〉.

With streaming services offering image qualities comparable to the downloaded films and the diversification of storage media including online DVDs, package markets and the idea of possessing a hard copy of a film are becoming more and more redundant. Yet while Korea is readilyadopting this trend, the fact is the package market remains quite stable in other nations such as Japan, and countries such as France and Great Britain continue to see the release of new and restored films, which means

there are other ways that a package market can still maintain its relevance.

E. Exports³⁴⁾

2018 saw significant damages to the export prospect of Korean films from macropolitical events. The total revenue generated by Korean film exports stood at USD 80,362,209, a 32.3% decrease from the previous year’s figure. While film product export remained similar to previous years, service export and location shooting revenue, which relies heavily on Chinese consumption, dropped to 50.4% of the previous year’s level.

Despite the lackluster performance in domestic theaters, Korean films managed to put up a good performance in terms of exports. Export figures rose by 2.2% compared to 2017, showing that Korean films did their part in facilitating the Hallyu phenomenon. What’s more, this performance came in the wake of various risks including the decline of Chinese export, changes to distribution strategy, and declining sales in OTT services by

Table 47 • Packaged Products Market Volume

Classification	2014	2015	2016	2017	2018
Revenue (in KRW 100 million)	218	158	99	67	65
YoY Growth (%)	3	-27.4	-37.3	-32.3	-3.0

33 Package product revenue figures are based on data provided by major companies within the industry.

34 The Korean Film Council calculates the export figures of Korean films as thus:

Classification		Content
Film Products		Export of completed film products
Services	Technological Services	Technological services such as VFX post-filming processes and other services provided by Korean firms
	Location Shooting	Costs generated by foreign films shot in Korea (production service, employment etc.)

using the newfound export drive in Asian countries to mitigate risks. Service export, particularly of CG, VFX, and other technological services, began to assume a position of importance in Korean film exports around the year 2010 as a part of its efforts to diversify its export portfolio. The sizable decline of these services in 2018 is interpreted as reflecting a failure of the Korean film industry in diversifying the export markets and countries in addition to the sizable decline in demand from China.

1) Exports of Film Products³⁵⁾

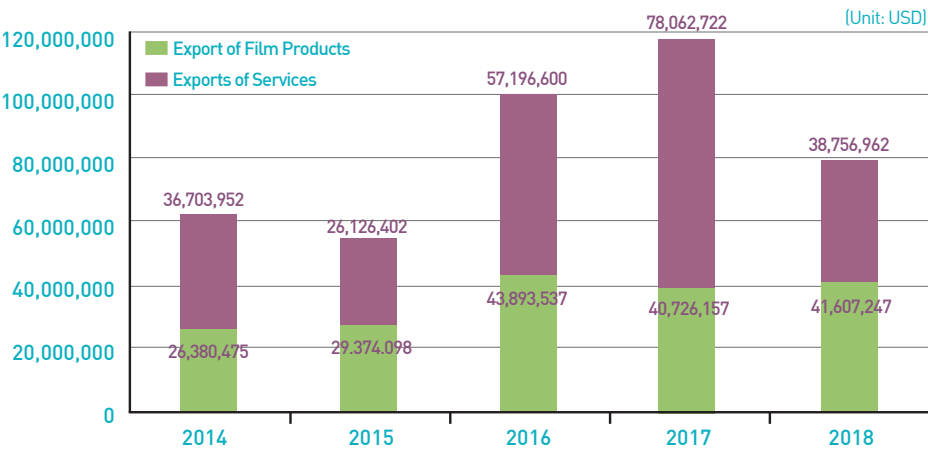
The total revenue generated by export of film products in 2018 amounted to USD 41,607,247, which represents a 2.2% increase from the previous year’s level. The export total is made up of contract fees and local distribution revenue.³⁶⁾ Contract fees signed within 2018 amounted to USD 37,436,403, while additional revenue from local distribution or revenue shares amounted to USD 4,170,844. The total number of contracts in 2018 stood at 603, which represents a decrease of nearly 200 from 2017’s 802. While the number of exported films decreased,

Table 48 • Export Revenue for Film Products and Services, 2014-2018

(Unit: USD)

Classification	2014	2015	2016	2017	2018
Film Products	26,380,475	29,374,098	43,893,537	40,726,157	41,607,247
Services	36,703,952	26,126,402	57,196,603	78,062,722	38,756,962
Total	63,084,427	55,500,500	101,090,140	118,788,879	80,364,209
YoY Growth (%)	6.1%	- 12.0%	82.1%	17.5%	-32.3%

Figure 12 • Korean Film Export Market (Film Products and Services Export) Status in 2014-2018



35 Film product export was generated by the sum of export figures reported by major distributors under the Korean Film Council’s Overseas Film Market Support Project (CJ ENM, Lotte CultureWorks, Showbox, NEW) and other export companies. For 2018, some of the data from major distributors and OTT sales were not reported, and as such may result in some differences from actual export figures.

36 Until 2016, profits generated from local distribution were called “additional profit (overage).” 2017’s review changed the term to “profit from local distribution” in order to include the profits generated by direct distribution.

the overall increase in contract fees resulted in the average export cost of Korean films reaching USD 62,084 in 2018, which represents an increase of USD 10,000 from the previous year’s levels.

Even though export figures ended with a slight increase over the previous years, this increase seems to signal the restoration of the film exports

from its setback during 2016-2017. The reason for this restoration is attributed to the increase in the sales cost by nearly 10%, perhaps indicating that favorable sales across the board has allowed the export figures to take off. Another thing of note is that 2018’s export figures were reached without having to rely on surprise events like successful blockbusters during 2015 and 2016, rapid increase

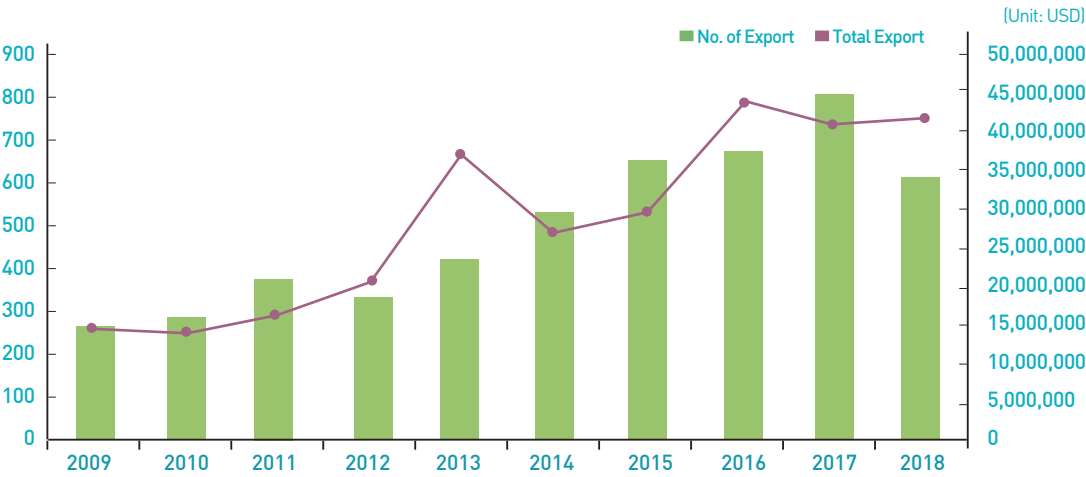
Table 49 • Yearly Changes in Export of Korean Film Products, 2009-2018

(Unit: USD)

Classification	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Overseas Sales	14,122,143	13,582,850	15,828,662	20,174,950	37,071,445	26,380,475	29,374,098	43,893,537	40,726,157	41,607,247
Contract Fees (MG+Flat+Others) ³⁷⁾	13,930,262	13,166,280	14,815,146	14,170,390	34,156,895	18,636,519	16,823,335	30,106,468	34,771,671	37,436,403
Distribution Revenue (Overage+direct distribution+others)	191,881	416,570	1,013,516	6,004,560	2,914,550	7,743,956	12,550,763	13,787,069	5,954,486	4,170,844
YoY Growth (%)	-32.9%	-3.8%	16.5%	27.5%	83.7%	-28.8%	11.3%	49.4%	-7.3%	2.2%
No. of Exported Films*	251	276	366	331	403	529	650	679	802	603
Average Export Price**	55,499	47,704	40,479	42,811	84,756	35,230	25,882	64,644	50,781	62,084

*Films with local distribution revenue are not included.
** Average export price = contract fees / no. of films exported

Figure 13 •Yearly Changes in Export of Korean Film Products, 2009-2018



37 MG refers to the minimum guarantee paid by the purchaser prior to the release. Revenue beyond the contracted fees is recouped for MG and P&A costs before the overage is divided. Flat contracts refer to contracts that do not have such variable recouping schemes, instead paying a flat rate for the rights to the film.

in export to China or Japan, or the emergence of online platforms, suggesting that the Korean film export market and its portfolio seem to have been stabilized.

On the other hand, the continual decrease of local distribution revenue, which serves as the litmus test for the actual reception of Korean films in overseas market and their basis for sustainability, is certainly a worrisome development. The Korean Film Council measures local distribution revenue in addition to the additional revenue generated by the previous year’s sales, but for the year 2018 these indicators showed remarkable decline or outright lack of data. Direct distribution of Korean films to overseas market by Korean firms could serve as a stable basis for the international outreach of Korean films. The decline of revenue generated through such direct distribution schemes indicates that the Korean film companies are once again gravitating toward a safer strategy of delegating the distribution work to the local distributors rather than shouldering the risks

and costs of direct distribution in exchange for their initiative.

Asia continued the trend of having the largest market share of Korean film exports. Export to Asia amounted to USD 27,924,327, or 67.1% of the total in 2018. This suggests that the temporary decline in export figures in 2017 indeed stayed temporary, and is on the way toward recovery. A strong performance and firm basis in Asia is also required to pave the way for further export toward North America and Europe. Korean companies have also put significant efforts toward maximizing the market potential by taking part in major hubs and their film markets, namely Hong Kong’s FILMART, Tokyo’s TIFFCOM, and Singapore’s ScreenSingapore.

Korean films also performed well in the European market with an increase of 6.7% from the previous year. While this is nowhere near the 2016 levels, sales figures seem to be on its way toward recovery. Korean films traditionally showed greater strength in

Table 50 • Export Revenue by Region, 2017-2018

Region	Export (USD)				YoY Growth (%)
	2017	Admissions Share	2018	Admissions Share	
Asia	21,684,201	53.2%	27,924,327	67.1%	28.8%
Europe	3,801,695	9.3%	4,057,565	9.8%	6.7%
North America	4,933,250	12.1%	3,313,223	8.0%	-32.8%
Central and South America	1,540,452	3.8%	1,582,428	3.8%	2.7%
Oceania	411,274	1.0%	339,644	0.8%	-17.4%
The Middle East	158,500	0.4%	92,560	0.2%	-41.6%
Others (Worldwide)	8,196,785	20.1%	4,297,500	10.3%	-47.6%
Total	40,726,157	100.0%	41,607,247	100.0%	2.2%

the so-called arthouse films, where films invited to international film festivals are released to the public market, and genre film markets. While 2018 did not see many films of such varieties with the exception of 〈Burning〉 at the 2018 Cannes Film Festival, animated films and their sales led the market toward restoration. Notable examples include the steady-seller 〈Pororo the Movie〉 series being exported to Spain and 〈Red Shoes and the 7 Dwarfs 〉 being sold to Eastern European states.

Export to the North American market decreased by 32.8% from 2017 levels. Even though many of the films exported to the North American market such as 〈Monstrum〉, 〈The Great Battle〉, 〈Rampant〉, and 〈Believer〉 could be positioned as a genre film and thus were sold at relatively high prices, the lack of statistical data backing revenue from direct distribution seems to have decreased the revenue

significantly. However, this is caused by a limitation in statistical collection, and thus may not reflect a decrease in profit for the company.

Figure 14 • Export Revenue Comparison by Region, 2017-2018

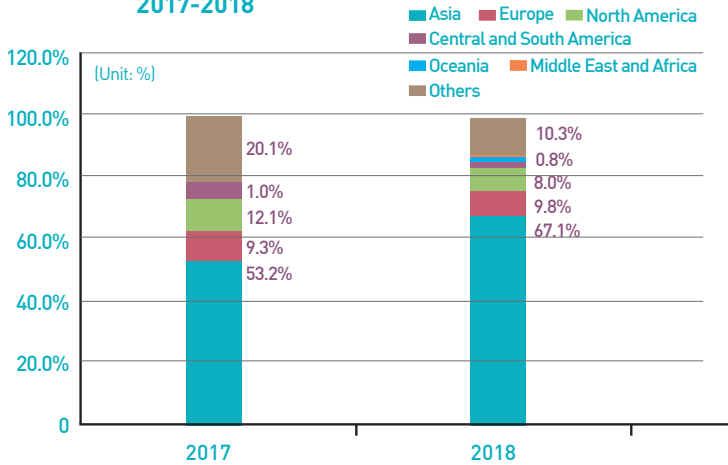


Table 51 • Korean Film Export Revenue by Country, 2017-2018

2018 Rank	Country	2018		2017		YoY Growth [%]
		Export (USD)	Ratio	Export (USD)	Ratio	
1	Taiwan	7,153,277	17.2%	3,326,513	8.2%	115.0%
2	Hong Kong	6,075,720	14.6%	1,233,829	3.0%	392.4%
3	Japan	4,591,124	11.0%	4,895,393	12.0%	-6.2%
4	China	3,934,860	9.5%	3,172,200	7.8%	24.0%
5	United States	3,319,603	8.0%	3,102,633	7.6%	7.0%
6	Singapore	2,871,726	6.9%	2,213,700	5.4%	29.7%
7	Vietnam	1,121,508	2.7%	1,482,346	3.6%	-24.3%
8	Spain	1,158,017	2.8%	203,937	0.5%	467.8%
9	The Philippines	670,400	1.6%	1,648,000	4.0%	-59.3%
10	Germany	624,567	1.5%	260,770	0.6%	139.5%
	Others	10,086,445	24.2%	19,186,836	47.1%	-47.4%
	Total	41,607,247	100.0%	40,726,157	100.0%	2.2%

2018 saw a dramatic change in the national ranking of film exports: Taiwan rose to first place for the first time since the start of the export surveys. Hong Kong, immediately behind Taiwan in the ranking, was another surprise for the observers. Japan and China, traditionally the biggest markets for Korean films, went down to third and fourth place respectively. Chinese-speaking markets (China, Hong Kong, Taiwan, Singapore) accounted for 48.2% of the Korean film export, demonstrating once again their absolute importance and relevance for the Korean film market. The aforementioned sales of 〈Pororo the Movie〉 series to Spain resulted in export to Spain skyrocketing by 467.8% from the previous year’s levels, while export to Germany also rose by 139.5% with excellent performance of historical and genre films.

Export figures to Taiwan, the no. 1 country in the ranking, amounted to USD 7,153,277, almost a double increase from the previous year. Hong Kong, which is also considered as a member of the Chinese-speaking market, saw even greater growth with more than 4 times the previous year’s levels, topping at USD 6,075,720. The 〈Along with the Gods〉 series once again headed this growth with immense popularity across Asia, followed by blockbusters like

〈Take Point〉, 〈Rampant〉, 〈The Negotiation〉, and pre-sales of the upcoming films 〈The Divine Fury〉 and 〈PARASITE〉 joining the trend.

A very important point to note is that Taiwan and Hong Kong’s growth in ranking was not from declining sales in Japan and China. Japan, which ranked third in sales, showed a slight decrease (-6.2%) at USD 4,591,124, while China stood at fourth place with a 24.0% increase to USD 3,934,860. The recovery of the Chinese market shows that the damages caused by the diplomatic relations between Korea and China are on the way toward their recovery. While Korean films are still being prevented from being released to the Chinese market, all rights sales are still continuing at lower pace, and the sales of remake rights to hit films such as 〈Gonjiam: Haunted Asylum〉 and 〈Man in Love〉 suggest that there is a potential for recovery soon. The year 2018 can be diagnosed as a year when the Chinese-speaking markets of Taiwan, Hong Kong, China, and Singapore rose to dominate the Korean film export market. The fact that 7 out of top 10 export markets were Asian also suggests that the Korean film industry must focus on building a long-term exchange and basis with Asian countries in order to grow.

Figure 15 • Korean Film Export Revenue by Country, 2017-2018

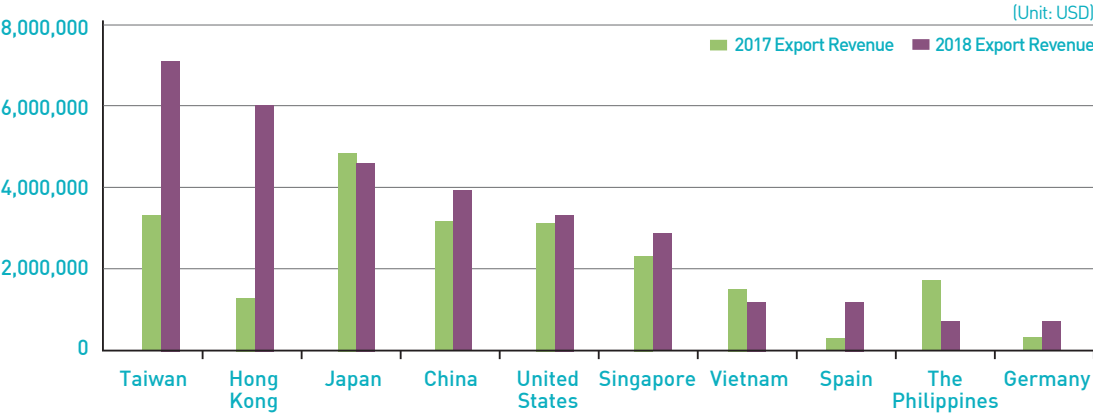


Table 52 • Rights Type of Exported Korean Films in 2017 and 2018

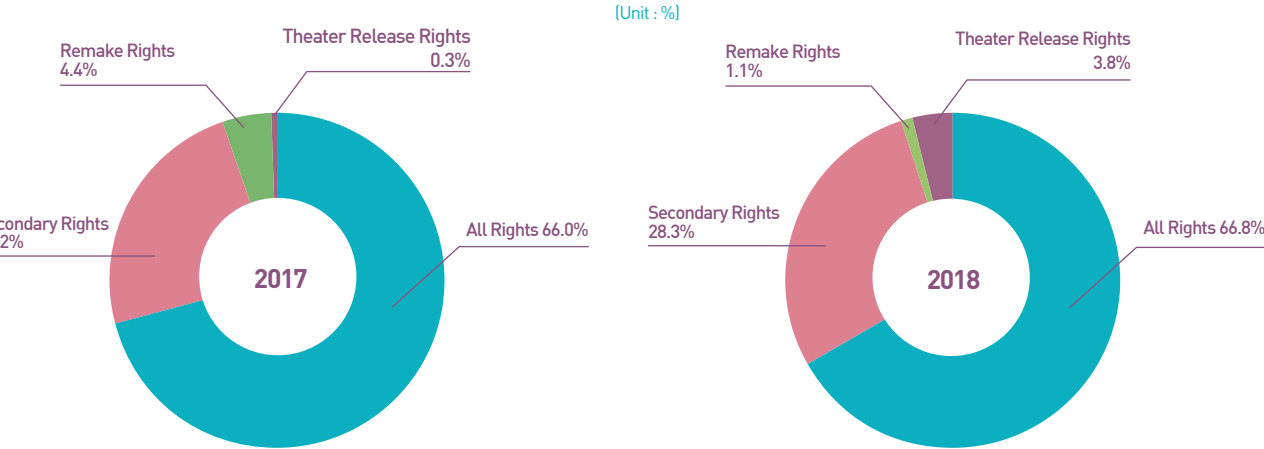
Rights	2017		2018	
	Amount (USD)	Ratio	Amount (USD)	Ratio
All Rights	24,710,624	66.0%	24,992,022	66.8%
Secondary Rights	8,325,077	22.2%	10,611,481	28.3%
Theater Release Rights	104,070	0.3%	1,422,900	3.8%
Remake Rights	1,631,900	4.4%	410,000	1.1%
Total	34,771,671	100.0%	37,436,403	100.0%

* All rights sales include conditional rights sales as well.
* Secondary rights include rights to video, DVD/Blu-Ray, VOD, Internet, PPV and in-flight entertainment.
* This analysis by type is based on only the sales earned at the time of contract (MG+Flat+others), and thus excludes additional revenue from other sources during that year. As such, figures presented in this table differ from ←Table 51→, which is based on the total export sales.

There were no significant changes to the rights export market. All rights sales once again had the highest share at 66.8%, followed by secondary rights sales at 28.3%. The explosive increase of theater release rights, almost 14 times in volume, is also

quite notable. However, remake rights sales went down to about USD 400,000 from USD 1 million. This is interpreted as being a lull in the market, since the products that were sold in the past are still under discussion.

Figure 16 • Korean Film Export Revenue by Rights, 2017-2018



2) Export of Services ³⁸⁾

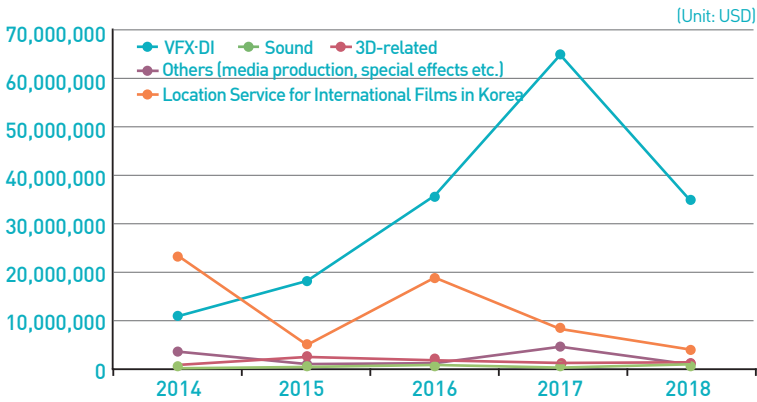
2018’s total service export amounted to USD 38,756,962, a 50.4% decrease from 2017’s USD 78,062,722. This is attributed to the failure of the Korean service export expanding to markets other than the Chinese-speaking markets. While the decrease in service export to China was certainly damaging to the total export figure, only 5 out of 39 projects surveyed were made to areas other than

China and Hong Kong. While some Chinese films utilized location shooting in Korea, the lack of Hollywood blockbuster shootings such as <Okja> and <Sense8 Season 2> in 2016 and <Black Panther> in 2017 meant that location shooting revenue decreased from the previous year. 2018’s statistics show that the failure of the service market to expand outside its narrow focus to China and United States will make it vulnerable to risk factors such as political changes.

Table 53 • Korean Film Service Export Market in 2014-2018

Classification		2014	2015	2016	2017	2018	YoY Growth (%)
Technical Services		14,042,809	21,372,505	38,613,215	70,184,428	35,361,845	-49.6%
	VFX-DI	10,995,259	18,179,820	36,096,838	65,953,928	35,209,595	-46.6%
	3D-related	-	2,541,312	1,884,117	0	0	-
	Sound	102,600	54,000	231,400	30,500	32,250	5.7%
	Others (special effects etc.)	2,944,950	597,373	400,860	4,200,000	120,000	-97.1%
Location Service for International Films in Korea*		22,661,143	4,753,897	18,583,388	7,878,294	3,395,117	-56.9%
Total		36,703,952	26,126,402	57,196,603	78,062,722	38,756,962	-50.4%

Figure 17 • Korean Film Service Export Market in 2014-2018



38 Export of services figures were aggregated from data provided by companies supported by the Korean Film Council and location shooting data from Korea Film Commission & Industry Network (KFCIN exchange rate at 1 USD = 1,111 KRW).

A) Technical Services

Technical services export remained lackluster not only in its scope but also its variety in 2018. That is, CG-based services such as VFX and DI made up the absolute majority of the export market without generating new demands in other areas. Korean firms demonstrated their technological sophistication in VFX and CG with the 〈Along with the Gods〉 series, but the corresponding growth of Chinese technology also meant that Korean firms had an unsatisfactory record in exporting sound, editing, and special effects. This situation can be interpreted as overseas demand being limited or Korean companies having no significant drives toward export, but nevertheless shows that there must be some policy debates toward the support of Korean firms toward export.

Reliance on the Chinese market was a double-edged sword for Korean technical services by serving as both the greatest driver of its growth and its limitation. 2018’s results then can be interpreted as reflecting the eventual outcome of the political situations that caused much concern among the observers and the decrease in technological demand from the growth of the Chinese market. Indeed, observers within the VFX industry sees 2018 as being slightly relaxed in terms of Chinese sanctions toward Korean firms, instead attributing the decrease in technical export to the growth of Chinese firms. Such trends also suggest that technical service export will take some time to recover.

with the first episode of 〈#FrenchLover〉 (tentative title). The United States, formerly the highest spender with 2016’s 〈Okja〉, 〈Sense8 Season 2〉 and 2017’s 〈Black Panther〉, dropped to the bottom of the ranking with negligible costs incurred by the 6 films being shot in Korea. Notably, 2018 saw 6 Chinese films being shot in Korea: while Chinese films always had location, shootings set in Korea up until 2016 each year, 2017 did not have any Chinese films set in Korea. While the ongoing Chinese sanctions against Korean exports mean that location shootings in Korea are not explicitly named as being set in Korea or that their information is not made public , this year’s figures

nevertheless suggest that Chinese films may resume their location shooting in Korea depending on the changes to the relationship of the two countries. Due to the effect of Hallyu, other Asian countries outside Japan and China first joined the ranking with The Philippines and Indonesia rising to third and fourth place respectively. However, their spending remains relatively insignificant compared to the total revenue, perhaps suggesting that their involvement is yet to be considered significant. Asian countries tended to have more dramatic films and TV shows in location shooting, while non-Asian countries tended to focus on documentaries.

Table 54 • Korean Film Technical Service Export by Country in 2014-2018

(Unit: USD)

Region	Country	2014		2015		2016		2017		2018	
		Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Asia	China	8,398,734	59.8%	17,023,565	79.6%	37,634,215	97.4%	54,772,263	78.0%	30,718,715	86.9%
	Hong Kong	1,185,000	8.4%	3,754,940	17.6%	952,000	2.4%	13,850,000	19.7%	2,375,000	6.7%
	Japan	3,632,303	25.9%	0	0%	0	0.0%	202,000	0.3%	235,900	0.7%
	Others	70,200	0.5%	100,000	0.5%	27,000	0.1%	92,665	0.1%	10,000	0.0%
North America	United States	454,667	3.2%	472,000	2.2%	0	0.0%	0	0.0%	1,780,000	5.0%
Europe		301,905	2.1%	22,000	0.1%	0	0.0%	1,267,500	1.8%	242,230	0.7%
Total		14,042,809	100.0%	21,372,505	100.0%	38,613,215	100.0%	70,184,428	100.0%	35,361,845	100.00%

B) Location Services

Location shooting revenue from international films accounted for USD 3,395,117. This represents a decrease of 57% from the previous year, reflecting a lack of blockbuster films such as the Hollywood blockbuster 〈Black Panther〉 in 2017. There were 41 foreign films shot in Korea in 2018, representing a rather significant increase from 2017’s 23, 2016’s 41,

and 2015’s 25. These figures are however interpreted as merely reflecting the expansion of the scope of analysis from the KOFIC, Seoul Film Commission, and the Busan Film Commission from up to 2017 to the film commissions nationwide in 2018, and the actual number of films shot in Korea is taken to be similar to the previous year. France was the largest spender in location shooting

Table 55 • Location Shooting by Foreign Films in Korea, 2015-2018

(Unit: USD)

Region	Country	2015		2016		2017		2018	
		Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
North America	United States	182,979	3.9	16,984,196	91.4	6,318,130	80.2	4,120	0.1
	Canada	2,872	0.1	-	-	-	-	39,078	1.2
Asia	China	3,677,395	77.4	1,562,207	8.4	-	-	305,451	9.0
	Taiwan	21,640	0.5	9,614	0.1	141,300	1.8	-	-
	Hong Kong	1,280	0.0	-	-	36,050	0.5	-	-
	Vietnam	6,120	0.1	-	-	164,700	2.1	-	-
	The Philippines	-	-	-	-	287,100	3.6	268,200	7.9
	Malaysia	-	-	-	-	130,815	1.7	25,200	0.7
	Thailand	26,860	0.6	13,898	0.1	-	-	-	-
	Japan	772,364	16.3	12,708	0.1	12,915	0.2	21,903	0.7
	Others	-	-	-	-	119,700	1.5	101,041	3.0
Europe	France	-	-	-	-	664,461	8.4	2,611,800	76.9
	Others	61,206	1.3	765	0.0	774	0.0	18,324	0.5
Oceania, Central and South America		1,181	0.0	-	-	2,349	0.0	-	-
Total		4,753,897	100.0	18,582,623	100.0	7,878,294	100.0	3,395,117	100.0

F. Theaters³⁹⁾ and Multiplexes⁴¹⁾

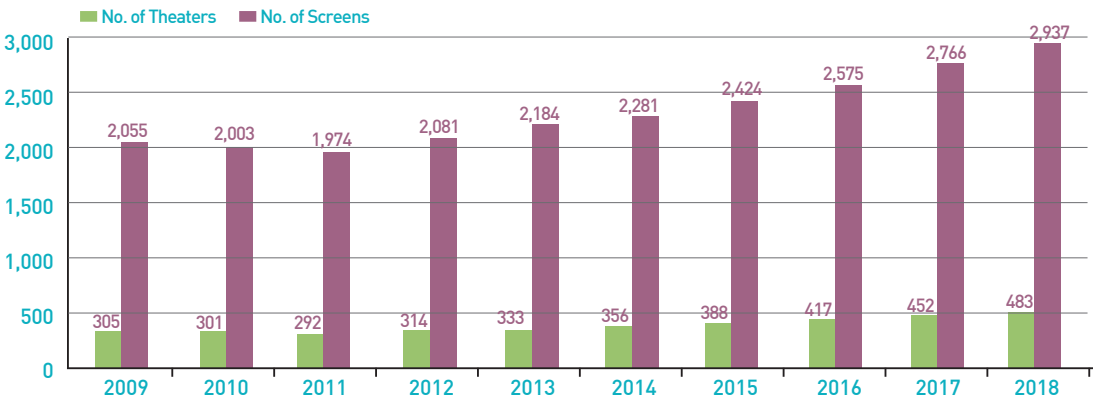
The number of national theaters increased to 483 in 2018, 31 more than the previous year representing an increase of 6.9%. There were 171 new screens added in 2018 to bring up the total number of screens to 2,937, 6.2% greater than the

previous year. The number of seats correspondingly increased by 11,983 to 449,765. The number of screens in Korea has rebounded from its decline below 2,000 in 2011 with 6 years of steady growth, with growth rates staying around 6%. Screens equipped for 3D amounted to 1,048, 4D to 44, and IMAX screens to 17. CGV, the exclusive partner of IMAX, has allocated one IMAX screen per major regions aside from Seoul (3) and Gyeonggi (5).

Table 56 • Yearly Theater and Cinema Figure, 2009-2018

Year	Total Admissions (in 10,000)	No. of Theaters	No. of Screens	No. of Seats
2009	15,696	305	2,055	360,796
2010	14,681	301	2,003	349,640
2011	15,979	292	1,974	341,905
2012	19,489	314	2,081	358,659
2013	21,335	333	2,184	349,669
2014	21,506	356	2,281	372,361
2015	21,729	388	2,424	398,702
2016	21,702	417	2,575	421,036
2017	21,987	452	2,766	437,782
2018	21,639	483	2,937	449,765

Figure 18 • Yearly Theater and Cinema Figure, 2009-2018



39 With almost 99% of the theaters in the country subscribing to the Korean Box Office Information System, theater statistics are strictly speaking being surveyed real-time in the KOBIS. However, changes in theater operation and delays in registration mean that figures provided by KOBIS tend to differ from the actual situation. To take this into account, the Korean Film Council implements a separate survey early on each year to supplement the KOBIS. As such, this section is based on the result of the survey conducted with December 31st, 2018 as the reference point.

40 「Promotion of the Motion Pictures and Video Products Act」 defines “movie theaters” as “any place or establishment where motion pictures are screened for profit” [Article 2, Paragraph 10]. However, places that do not meet the screening day levels designated by the Presidential Decree (120 days of screening, 30 days of continuous screening) are designated instead as “non-permanent movie theaters”. Such “non-permanent movie theaters” and drive-in theaters are excluded from the statistics provided by the Korean Film Council.

Based on their date of opening, 50 new theaters were opened in 2018, with 37 being multiplex chain theaters and 13 being independent theaters. New theaters included everything from entirely new creations to changes in multiplex distribution and non-permanent theaters becoming permanent theaters. There were 8 small theaters that opened in 2018, namely the Yanggu Jeongjungang Cinema in Gangwon

Province, Okcheon Hyangsu Cinema in North Chungcheong Province, Cheongyang Cinema in South Chungcheong Province, Hwasun Cinema in South Jeolla Province, Sangju Sambaek Cinema in North Gyeongsang Province, Uljin Small Theater in North Gyeongsang Province, Hoi Theater in Chilgok, North Gyeongsang Province, and Haman-gun Small Theater in South Gyeongsang Province.

Table 57 • Theater and Cinema Numbers in 2018

(Unit: per theater/screen)

Region	No. of Theaters				No. of Screens				No. of Seats			
	2018	2017	YoY Change		2018	2011	YoY Change		2018	2017	YoY Change	
			in Number	in Percentage			in Number	in Percentage			in Number	in Percentage
Seoul	86	86	0	0.0%	571	555	16	2.9%	94,963	94,953	10	0.0%
Busan	27	30	-3	-10.0%	208	216	-8	-3.7%	34,323	35,622	-1,299	-3.6%
Daegu	24	23	1	4.3%	150	143	7	4.9%	22,925	22,406	519	2.3%
Incheon	28	25	3	12.0%	180	161	19	11.8%	27,883	26,022	1,861	7.2%
Gwangju	17	15	2	13.3%	128	112	16	14.3%	18,325	17,846	479	2.7%
Daejeon	11	10	1	10.0%	73	66	7	10.6%	12,551	11,692	859	7.3%
Ulsan	7	6	1	16.7%	45	38	7	18.4%	7,616	6,466	1,150	17.8%
Sejong	2	2	0	0.0%	12	12	0	0.0%	1,843	1,843	0	0.0%
Gyeonggi	107	100	7	7.0%	685	638	47	7.4%	104,971	99,818	5,153	5.2%
Gangwon	24	19	5	26.3%	110	101	9	8.9%	14,802	14,203	599	4.2%
North Chungcheong	16	13	3	23.1%	107	94	13	13.8%	16,977	15,661	1,316	8.4%
South Chungcheong	25	21	4	19.0%	115	103	12	11.7%	14,414	13,264	1,150	8.7%
North Jeolla	26	24	2	8.3%	118	107	11	10.3%	17,501	15,656	1,845	11.8%
South Jeolla	20	18	2	11.1%	102	97	5	5.2%	13,494	13,482	12	0.1%
North Gyeongsang	29	26	3	11.5%	138	129	9	7.0%	18,859	19,628	-769	-3.9%
South Gyeongsang	28	29	-1	-3.4%	158	162	-4	-2.5%	23,785	25,059	-1,274	-5.1%
Jeju	6	5	1	20.0%	37	32	5	15.6%	4,533	4,161	372	8.9%
Regional Total	397	366	31	8.5%	2,366	2,211	155	7.0%	354,802	342,829	11,973	3.5%
Total	483	452	31	6.9%	2,937	2,766	171	6.2%	449,765	437,782	11,983	2.7%

41 The Korean Film Council has defined multiplexes as all theaters that are under direct or contractual operation under CGV, Lotte Cinema, and Megabox, and other theaters with more than 7 screens until 2017. CineQ chain was added in 2018 to this definition. For more details, please refer to the following paragraphs.

Table 58• Newly Opened Theaters in 2018

Order of Opening	Date of Opening	Region	Municipality ⁴²⁾	Name of Theater	Conglomerate Operation	No. of Screens	No. of Seats	Remarks
1	2018-01-05	South Chungcheong Province	Boryeong	CGV Boryeong	Outsourced	5	763	Formerly Megabox Boryeong
2	2018-01-18	Seoul	Guro-gu	CineQ Sindorim	Direct	10	1,263	
3	2018-01-30	Seoul	Gwangjin-gu	CGV Konkuk University	Direct	5	754	
4	2018-01-31	South Gyeongsang Province	Changwon	Megabox Masan	Direct	6	1,043	Formerly Lotte Cinema Masan
5	2018-02-08	South Chungcheong Province	Cheongyang	Cheongyang Cinema	~	2	98	Small Theater
6	2018-02-09	Gangwon Province	Yanggu	Yanggu Jeongjungang Cinema	~	2	201	Small Theater
7	2018-02-09	South Gyeongsang Province	Haman	Haman-gun Small Theater	~	2	98	Small Theater
8	2018-02-12	South Jeolla Province	Hwasun	Hwasun Cinema	~	2	124	Small Theater
9	2018-02-14	Gangwon Province	Hoengseong	Hoengseong Cinema	~	2	136	
10	2018-03-09	North Gyeongsang Province	Yeongju	Lotte Cinema Yeongju	Outsourced	6	909	
11	2018-03-23	Seoul	Gangbuk-gu	CGV Suyu	Direct	9	972	Formerly Megabox Suyu
12	2018-03-28	Gyeonggi Province	Hwaseong	CGV Dongtan Station	Direct	7	1,026	
13	2018-04-05	North Jeolla Province	Gunsan	CGV Gunsan	Outsourced	5	975	Formerly Lotte Cinema Gunsan
14	2018-04-11	Gwangju	Dong-gu	Gwangju Independent Theater	~	1	105	
15	2018-04-19	Gwangju	Gwangsan-gu	Lotte Cinema Gwangju Gwangsan	Outsourced	8	733	
16	2018-04-24	North Jeolla Province	Jeonju	CGV West Jeonju	Direct	5	720	
17	2018-04-25	Daegu	Jung-gu	Lotte Cinema Premium Mangyeong	Outsourced	9	663	
18	2018-04-27	North Jeolla Province	Gunsan	Lotte Cinema Gunsan	Direct	7	1,014	
19	2018-05-01	Seoul	Gangdong-gu	Megabox Gangdong	Outsourced	10	1,352	Formerly CGV Gangdong
20	2018-05-11	Incheon	Seo-gu	CGV Cheongna	Outsourced	7	1,073	
21	2018-05-25	Gyeonggi Province	Hanam	Megabox Misa Gangbyeon	Outsourced	5	604	
22	2018-05-28	Gyeonggi Province	Anseong	CGV Anseong	Outsourced	8	1,001	

Order of Opening	Date of Opening	Region	Municipality	Name of Theater	Conglomerate Operation	No. of Screens	No. of Seats	Remarks
23	2018-06-15	North Chungcheong Province	Chungju	CineQ Chungju Yeonsu	Outsourced	8	1,191	
24	2018-06-23	Incheon	Bupyeong-gu	CineQ Bupyeong	Outsourced	6	730	
25	2018-07-02	Seoul	Mapo-gu	Megabox Sangam World Cup Stadium	Direct	9	1,542	Formerly CGV Sangam
26	2018-07-19	Daejeon	Seo-gu	Lotte Cinema Daejeon Central	Direct	7	859	
27	2018-07-27	South Jeolla Province	Mokpo	CGV Mokpo Pyeonghwa Square	Direct	8	1,300	Formerly Lotte Cinema Mokpo
28	2018-08-02	North Chungcheong Province	Okcheon	Okcheon Hyangsu Cinema	~	2	95	Small Theater
29	2018-08-08	North Gyeongsang Province	Gumi	Lotte Cinema Premium Gumi Central	Outsourced	7	759	Formerly Megabox Gumi
30	2018-08-15	Daegu	Dong-gu	Megabox Daegu Esia	Outsourced	7	783	
31	2018-08-21	Gyeonggi Province	Yongin	CGV Gwanggyo Sanghyeon	Outsourced	4	406	
32	2018-09-01	Seoul	Gwangjin-gu	Megabox Gunja	Outsourced	9	1,127	Formerly CGV Gunja
33	2018-09-01	South Chungcheong Province	Geumsan	Geumsan Cinema	~	2	150	
34	2018-09-12	Gyeonggi Province	Yongin	Lotte Cinema Yongin Giheung	Direct	7	1,091	
35	2018-09-13	North Gyeongsang Province	Uljin	Uljin Small Theater	~	1	87	Small Theater
36	2018-09-14	North Gyeongsang Province	Sangju	Sangju Sambaek Cinema	~	1	98	Small Theater
37	2018-09-19	Gyeonggi Province	Gimpo	Megabox Gimpo Hangang New Town	Direct	5	712	
38	2018-09-20	Gwangju	Gwangsan-gu	CGV Gwangju Hanam	Direct	6	835	
39	2018-09-22	Gangwon Province	Inje	CGV Inje	Outsourced	2	99	
40	2018-10-18	Incheon	Jung-gu	Megabox Yeongjong	Outsourced	6	680	
41	2018-10-24	Jeju Self-governing Province	Jeju City	Lotte Cinema Jeju Samhwa	Outsourced	5	372	
42	2018-11-01	North Chungcheong Province	Goesan	Goesan Natural Dream Park Theater	~	3	234	
43	2018-11-28	North Chungcheong Province	Cheongju	CGV Cheongju	Direct	11	1,535	Formerly SFX Cinema
44	2018-11-30	Ulsan	Buk-gu	CGV Ulsan Jinjang	Direct	7	1,066	

⁴² Strictly speaking, Jeju City and Seogwipo are not regional local governments, but rather administrative cities under Jeju Special Self-governing Province. However, this analysis does not distinguish between them for the convenience of analysis.

Order of Opening	Date of Opening	Region	Municipality	Name of Theater	Conglome- rate Operation	No. of Screens	No. of Seats	Remarks
45	2018-11-30	North Chungcheong Province	Cheongju	Megabox Cheongju Chungbuk National University	Outsourced	4	431	Formerly Lotte Cinema Cheongju Chungbuk National University
46	2018-12-07	South Gyeongsang Province	Jinju	Lotte Cinema MBCine (Jinju)	Outsourced	8	677	Formerly CGV Jinju
47	2018-12-14	Gyeonggi Province	Hanam	CGV Starfield City Wirye	Direct	6	882	
48	2018-12-17	Gyeonggi Province	Bucheon	Fantastic Cube	~	1	70	
49	2018-12-22	North Gyeongsang Province	Chilgok	Chilgok Hoi Theater	~	2	94	Small Theater
50	2018-12-27	Gyeonggi Province	Seongnam	Lotte Cinema Seongnam Jungang	Direct	9	1,234	

Table 59 • Multiplex Shares in 2018

Region	No. of Theaters			No. of Screens			Admissions (in 1,000)			Theater Revenue (in 1,000 KRW)		
	No. of Total Theaters	No. of Multiplex Theaters	Ratio (%)	No. of Total Theaters	No. of Multiplex Theaters	Ratio (%)	Total Admi-ssions	Multiplex Admi-ssions	Ratio (%)	Theater Total Revenue	Multiplex Revenue	Ratio (%)
Seoul	86	70	81.4%	571	547	95.8%	56,627	55,736	98.4%	493,507,542	487,771,577	98.8%
Busan	27	26	96.3%	208	204	98.1%	15,932	15,718	98.7%	132,502,833	131,236,911	99.0%
Daegu	24	20	83.3%	150	146	97.3%	11,191	11,033	98.6%	95,106,197	94,370,432	99.2%
Incheon	28	23	82.1%	180	167	92.8%	11,151	10,756	96.5%	93,827,738	91,739,445	97.8%
Gwangju	17	15	88.2%	128	126	98.4%	7,793	7,762	99.6%	62,801,219	62,494,848	99.5%
Daejeon	11	10	90.9%	73	72	98.6%	7,355	7,350	99.9%	62,599,953	62,565,353	99.9%
Ulsan	7	5	71.4%	45	42	93.3%	4,334	4,060	93.7%	36,614,369	34,975,339	95.5%
Sejong	2	2	100.0%	12	12	100.0%	1,022	1,022	100.0%	8,248,592	8,248,592	100.0%
Gyeonggi	107	100	93.5%	685	677	98.8%	51,482	51,377	99.8%	434,547,781	433,899,416	99.9%
Gangwon	24	12	50.0%	110	87	79.1%	5,429	4,550	83.8%	42,843,376	37,775,898	88.2%
North Chungcheong	16	13	81.3%	107	100	93.5%	5,611	5,484	97.7%	45,564,173	44,846,187	98.4%
South Chungcheong	25	12	48.0%	115	89	77.4%	7,083	6,637	93.7%	56,845,633	54,278,820	95.5%
North Jeolla	26	13	50.0%	118	88	74.6%	6,455	5,711	88.5%	51,274,969	47,150,531	92.0%
South Jeolla	20	13	65.0%	102	88	86.3%	4,878	4,438	91.0%	35,755,042	33,191,536	92.8%
North Gyeongsang	29	21	72.4%	138	128	92.8%	6,855	6,668	97.3%	54,599,461	53,543,416	98.1%
South Gyeongsang	28	23	82.1%	158	146	92.4%	10,893	10,566	97.0%	88,593,154	86,484,926	97.6%
Jeju	6	6	100.0%	37	37	100.0%	2,295	2,295	100.0%	18,735,038	18,735,037	100.0%
Total	483	384	79.5%	2,937	2,756	93.8%	216,386	211,163	97.6%	1,813,967,070	1,783,308,264	98.3%

Out of 483 theaters in Korea at the end of 2018, 384 theaters, or 79.5%, were multiplex theaters. In terms of the number of screens, 93.8% of the 2,937 total screens, or 2,756 screens, were under multiplex theaters. Multiplex audience share reached 97.6% of the total, and their share in revenue reached 98.3%.

The Korean Film Council has designated CJ CGV, Lotte Cinema, and Megabox as the top three multiplex chains in Korea from the early 2000s and has tracked their statistics accordingly. This was because the increasing importance of multiplex theaters meant that theaters affiliated with these chains had become the absolute majority in Korea, and furthermore that their

relationships must be analyzed in relation to their affiliate distributors. NEW’s entrance into this market in 2017 has raised the need for theaters affiliated with NEW to also be examined with these chains.⁴³⁾ As such, the Korean Film Council has added NEW’s theater chain CineQ to the top four multiplex chains in Korea for the analysis. Except for the growth of the CineQ, the former top three remain relatively stable from their 2017 activities. Megabox, which is distinguished by its heavier reliance on outsourcing compared to CGV and Lotte Cinema, also remain relatively unchanged. CineQ opened two theaters in Gyeongju and Gumi in 2017 and followed with 3 theaters in Seoul’s Sindorim, Incheon Bupyeong, and Chungju Yeonsu, bringing their total count up to 5.

Table 60 • Top 4 Multiplexes in 2018

Classification			2018														2017		
			No. of Theaters	Change in Number	YoY Change (%)	No. of Screens	Change in Number	YoY Change (%)	No. of Seats	Change in Number	YoY Change (%)	Operation				No. of Theaters	No. of Screens	No. of Seats	
												Direct Theater Number	Ratio	Out-sourced Theater Number	Ratio				
Multi-plex	Top 4	CGV	156	11	7.6%	1,146	61	5.6%	181,441	7,058	2.5%	108	69%	48	31%	145	1,085	177,087	
		Lotte Cinema	120	6	5.3%	860	50	6.2%	138,361	2,990	2.2%	95	79%	25	21%	114	810	135,371	
		Mega box	100	5	5.3%	686	39	6.0%	99,582	3,599	3.7%	39	39%	61	61%	95	647	95,983	
		CineQ	5	3	150.0%	35	24	218.2%	4,453	3,184	250.9%	3	60%	2	40%	2	11	1,269	
		Subtotal	381	25	7.0%	2,727	174	6.8%	423,837	14,127	3.4%	245	64%	136	36%	356	2,553	409,710	
	Other multiplexes	3	-2	-40.0%	29	-20	-40.8%	5,878	-2,715	-31.6%	-	-	-	-	5	49	8,593		
	Subtotal	384	23	6.4%	2,756	154	5.9%	429,715	11,412	2.7%	-	-	-	-	361	2,602	418,303		
Non-multiplex			99	8	8.8%	181	20	12.4%	20,050	806	4.2%	-	-	-	-	91	161	19,244	
Total			483	31	6.9%	2,937	174	6.3%	449,765	12,218	2.8%	-	-	-	-	452	2,763	437,547	

※ Multiplex theaters include nationwide multiplex chains such as CJ CGV, Lotte Cinema, Megabox, CineQ, and other theaters with more than 7 screens
※ Theaters refer to permanent cinemas nationwide, excluding non-permanent screening facilities and drive-in theaters.
※ Theaters that were closed temporarily or permanently as of the base date are excluded.
※ In case the number of screens and seats as of the base date were not confirmed, the figures at the time of the survey were used.

43 NEW has also placed an official request to this effect.

The number of non-chain multiplexes, 5 in 2017, underwent changes with the transition of Cheongju’s SFX Cinema and Daegu’s MMC Mangyeongwan to CGV Chungju Yulrang and Lotte Cinema Premium Mangyeong. As of the end of 2018, only 3 non-chain multiplexes remain in Korea, namely the Daehan Cinema and Seoul Cinema of Seoul and Cheonan’s Yawoori Cinema. Yawoori Cinema will be changed to CGV Cheonan Terminal in February 2019, leaving the

two historical theaters of Daehan Cinema and Seoul Cinema as sole independent multiplexes of Korea.

The 50 administrative regions had no theaters at all, and 2 of them, namely Daegu’s Dalseong-gun and Gwangju’s Nam-gu had a population of over 200,000. Even in Busan, a metropolitan city, the districts of Suyeong-gu, Gangseo-gu, Yeongdo-gu, Seo-gu, and Dong-gu had no theaters at all.

G. Production Costs and Estimated ROI of Korean Films

※ Major Vocabulary

The following words are used with the presented definitions for the purposes of this report. These words and definitions, however, are not in any way used commonly in the Korean film industry.

Classification	Standards and Definitions
Actual Release	<ul style="list-style-type: none">● Among 194 Korean films with ‘actual release’, 8 films were identified as being outside the Korean system of investment and production⁴⁴⁾. As such, 186 films were identified and analyzed for the purposes of production costs and are thus referred to as films with ‘actual release’.※ As such, ‘actual release’ in this section differs from the earlier discussions of ‘actual release’ in the report.
Commercial Films	<ul style="list-style-type: none">● 40 films that had more than KRW 3 billion in actual production cost; among the films with ‘actual release’ are referred to as ‘commercial films’.※ The figure of KRW 3 billion reflects the increase in the number of theaters, openings, and rising production costs, and is meant to represent ‘films that may be used as financial investment.’
Estimated Profit Rate	<ul style="list-style-type: none">● The ROI estimated from the actual production cost, P&A costs, and the number of admissions from KOBIS of the aforementioned ‘commercial films’.※ Thus, Estimated ROIs may differ from the <Analysis of Profitability on the Korean Film> report.

44 These 8 films refer to the animated film: <Spark: A Space Tail>, which was produced through international cooperation from the planning stages; <Turning Mecard W: The Secret of Van Dyne>, <Mini Force X>, and <Zak Storm> special edition films edited from TV release; <Anna Karenina>, a musical film edited from stage performance; and <SECHSKIES Eighteen>, <TWICELAND>, and <Burn the Stage: The Movie>, which were documentaries with performance clips.

Each year, the <Status and Insight: Korean Film Industry > report conducts the ‘informal production cost survey’⁴⁵⁾, which includes films that were released from January 1st to December 31st of the same year, at the beginning of each year. This survey serves as the basis for identifying the ‘commercial films’, or films that are being produced and distributed with heavier focus on commercial purposes, and the revenue and cost estimates that serve as the basis of Estimated ROIs.⁴⁶⁾ From 2017, production cost analysis was limited to ‘films with ‘actual release’ with the exception of films that did not follow the standard model of investment and production in the Korean film industry and thus could jeopardize the integrity of the figures. In 2018, there were 8 such films excluded from 194 films with ‘actual release’.

The <2018 Status and Insight: Korean Film Industry > classified 40 ‘commercial films’ from the list of 186 films with an ‘actual release’ and calculated their average cost of production and Estimated ROI. At the time of the analysis, some of the films were not even at the end of their screening period, much less

at the primary settlement of accounts, and as such revenue and other costs provided at the analysis are based on estimates. Thus, Estimated ROIs presented in this report may differ from the data presented in the <Status and Insight : Korean Film Industry>, which is based on actual data collected after the settlement of all films included in its analysis.

45 The reason why this survey is referred to as ‘informal’ is to distinguish this survey from the statistical survey provided as a part of the <Status and Insight>, which utilizes materials provided by audit or documented evidences.

46 Estimated ROIs provided in this report are referred to as such through the ‘estimate analysis’, while the profit rates announced later on through the <Status and Insight> are referred to as ‘statistical analysis’. The following table provides an overview of the estimated and statistical analysis.

Classification		Korean Films Released in 2017	Korean Films Released in 2018
Informal Survey ↓ Estimated Analysis (Estimated ROI)	Period	January 2018	January 2019
	Announced	Mid-February 2018	Mid-February 2019
	Target	174 Korean Films with Actual Release in 2017	186 Korean Films with Actual Release in 2018
	Method	Informal survey through email and phone calls based on actual production cost and P&A costs. Revenue is estimated based on KOBIS theater sales data.	
	Access	Released as a part of the <Korean Film Industry> report	
Statistical Survey ↓ Statistical Analysis [ROI]	Period	August - November 2018	August - November 2019
	Announced	April 2019 (tentative)	April 2020 (tentative)
	Target	37 ‘commercial films’ included within the informal survey for that year	40 ‘commercial films’ included within the informal survey for that year
	Method	Collect documentations such as audit report or production cost receipt and calculate the ROI through statistical analysis	
	Access	<Status and Insight>report for that year	

1) Production Cost of "Actually Released" Korean Films

Overview of Production Cost Survey for "Actually Released" Korean Films in 2018

- Out of 454 Korean films released between January 1st and December 31st, 186 films were counted as ‘films with ‘actual release’ (excluding 8 exceptions). Actual production costs and P&A costs were surveyed by contacting the film’s producer or the distributor through email or telephone.
- Out of 176 films surveyed, 10 films did not provide the data for actual production costs and P&A costs (collection rate at 94.6%)
- There were 2 out of 10 films that did not respond, so they were replaced with examples of similar films from the same producer and size. Of the remaining, 5 films were replaced with production costs reported to the KOFIC’s review; 2 films were estimated to have a production cost of less than KRW 1 billion, and thus were replaced with the average cost of production for films with less than KRW 1 billion cost in 2018; and 1 film was estimated to be an adult film targeted toward VOD service and thus was replaced with the average production cost for adult films.

Table 61 • Average Production Cost for Korean Films with “Actual Release”, 2009-2018

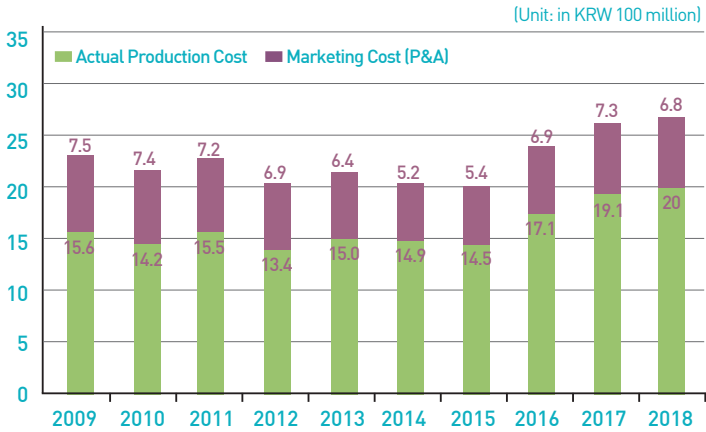
Classifi- cation	No. of Films	Actual Production Cost (A)		Marketing Cost (P&A) (B)		Total Production Cost (A+B)
		Average Actual Production Cost (in KRW 100 million)	Ratio (%)	Average Marketing Cost (in KRW 100 million)	Ratio (%)	Average Total Production Cost (in KRW 100 million)
2009	118	15.6	67.5	7.5	32.5	23.1
2010	140	14.2	65.7	7.4	34.3	21.6
2011	150	15.5	68.3	7.2	31.7	22.7
2012	174	13.4	66.0	6.9	34.0	20.3
2013	182	15.0	70.1	6.4	29.9	21.4
2014	217	14.9	74.1	5.2	25.9	20.1
2015	232	14.5	72.9	5.4	27.1	19.9
2016	178	17.1	71.3	6.9	28.7	24.0
2017	174	19.1	72.5	7.3	27.5	26.3
2018	186	20.0	74.6	6.8	25.4	26.8

* The survey was limited to ‘films with actual release’ from 2016 onward. From 2017, films that were outside the conventional Korean production models were excluded from the survey as well.

The sum of production costs for 186 films that saw ‘actual release’ in 2018 amounted to KRW 498.6 billion, with an average total production cost of KRW 2.68 billion and an average actual production cost of KRW 2 billion. While the total production

cost rose by KRW 40.4 billion over the previous year’s level (KRW 458.2 billion), the increase in the number of released films (12) meant that the average production cost per film rose only slightly from the previous year (KRW 2.63 billion).

Figure 19 • Average Total Production Cost for “Actually Released” Korean Films, 2009-2018



〈Table 62〉 shows the distribution of total production cost figures, which is used to identify the trends of change in total production cost. Films with production cost of less than KRW 1 billion and 1-2 billion increased compared to previous years. With the total increase of 13 films, these two groups seem to account for the majority of the changes in 2018. This suggests that the increase in the number of “actually released” films does not necessarily have a large effect in the rise of total production cost. There were 17 films with more than KRW 10 billion in production costs, a sizable increase from the previous year’s levels (12) and the second highest group in the list (9.1%) after less than KRW 1 billion.

Table 62 • Korean Film Releases in 2014–2018 by Total Production Cost Range

Classification		Below KRW 1 billion	KRW 1 billion ~2 billion	KRW 2 billion ~3 billion	KRW 3 billion ~4 billion	KRW 4 billion ~5 billion	KRW 5 billion ~6 billion	KRW 6 billion ~7 billion	KRW 7 billion ~8 billion	KRW 8 billion ~9 billion	KRW 9 billion ~10 billion	Above KRW 10 billion	Total
2014	No. of Films	157	9	2	6	12	11	4	3	1	1	11	217
	Ratio	72.3%	4.1%	0.9%	2.8%	5.5%	5.1%	1.8%	1.4%	0.5%	0.5%	5.1%	100%
2015	No. of Films	162	12	6	7	6	11	7	2	5	8	6	232
	Ratio	69.8%	5.2%	2.6%	3.0%	2.6%	4.7%	3.0%	0.9%	2.2%	3.4%	2.6%	100%
2016	No. of Films	112	18	5	2	7	5	5	4	2	4	14	178
	Ratio	62.9%	10.1%	2.8%	1.1%	3.9%	2.8%	2.8%	2.3%	1.1%	2.3%	7.9%	100%
2017	No. of Films	114	8	6	7	2	4	6	8	5	2	12	174
	Ratio	65.5%	4.6%	3.4%	4.0%	1.1%	2.3%	3.4%	4.6%	2.9%	1.1%	6.9%	100%
2018	No. of Films	120	15	4	6	3	7	1	6	5	2	17	186
	Ratio	64.5%	8.1%	2.2%	3.2%	1.6%	3.8%	0.5%	3.2%	2.7%	1.1%	9.1%	100%

* The survey was limited to ‘films with actual release’ from 2016 onward. From 2017, films that were outside the conventional Korean production models were excluded from the survey as well.

Figure 20 • Korean Film Released in 2014–2018 by Total Production Cost Range

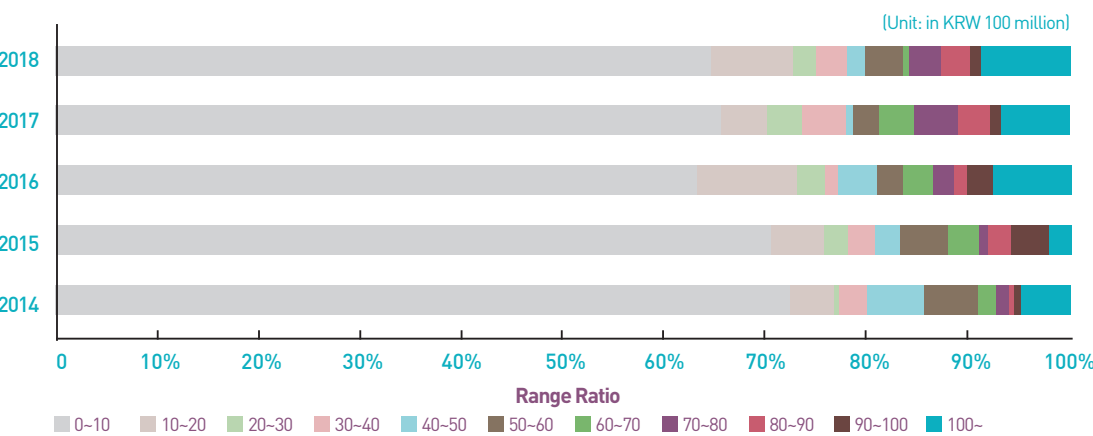


Figure 21 • “Actually Released” Korean Films in 2016–2018 by Actual Production Cost Range

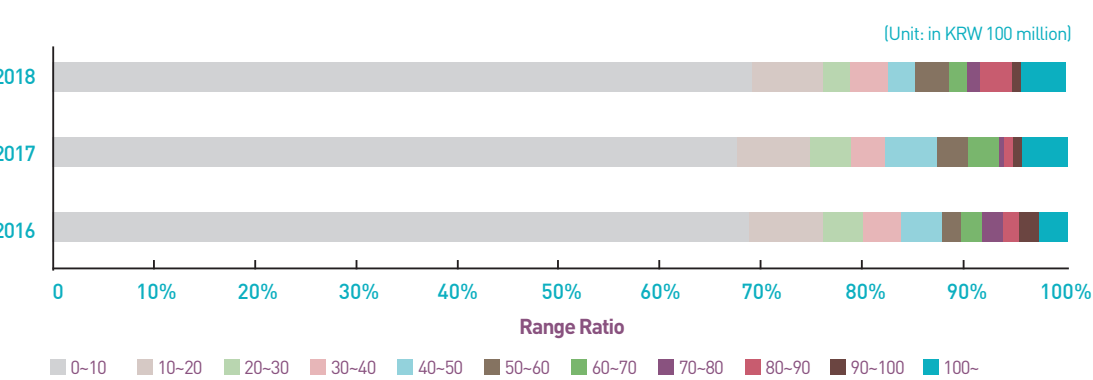


Table 63 • “Actually Released” Korean Films in 2016–2018 by Actual Production Cost Range

Classification		Below KRW 1 billion	KRW 1 billion ~2 billion	KRW 2 billion ~3 billion	KRW 3 billion ~4 billion	KRW 4 billion ~5 billion	KRW 5 billion ~6 billion	KRW 6 billion ~7 billion	KRW 7 billion ~8 billion	KRW 8 billion ~9 billion	KRW 9 billion ~10 billion	Above KRW 10 billion	Total
2016	No. of Films	122	13	7	7	7	3	4	4	3	3	5	178
	Ratio	68.5%	7.3%	3.9%	3.9%	3.9%	1.7%	2.2%	2.2%	1.7%	1.7%	2.8%	100%
2017	No. of Films	117	13	7	6	9	5	5	1	2	1	8	174
	Ratio	67.2%	7.5%	4.0%	3.4%	5.2%	2.9%	2.9%	0.6%	1.1%	0.6%	4.6%	100%
2018	No. of Films	128	13	5	7	5	6	3	3	6	1	9	186
	Ratio	68.8%	7.0%	2.7%	3.8%	2.7%	3.2%	1.6%	1.6%	3.2%	0.5%	4.8%	100%

* The survey was limited to ‘films with actual release’ from 2016 onward. From 2017, films that were outside the conventional Korean production models were excluded from the survey as well.

It is difficult to identify the changes made to the size of the production by only relying on the total production cost levels, and as such 〈Table 63〉 shows the distribution of actual production cost figures, which are used to identify the trends of change in actual production cost without P&A costs. The fact that there were 11 more films with an actual production cost of less than KRW 1 billion in 2018 seems to indicate that the number of films released do not have significant impact on the rising production costs. Factors that actually contributed to the rise of the total production cost in 2018 are found in actual production cost ranges above KRW 8 billion. The number of films that had more than KRW 8 billion in total production cost were 16 in 2018, an increase by 5 over the previous year (11). These films are thought to have served as the principal drivers of rising total production cost in 2018. The number of films with more than KRW 10 billion in actual production cost amounted to 9, making up the second largest group (4.8%) after the KRW 1~2 billion group and demonstrating the

increasing polarization of Korean film production costs.

2) Production Cost of Korean ‘Commercial Films’

The sum of production costs for 40 ‘commercial films’ that saw ‘actual release’ in 2018 amounted to KRW 414.0 billion, with an average total production cost of KRW 10.34 billion per film representing an increase of KRW 0.56 billion over the previous year’s level (KRW 9.78 billion). 〈Table 64〉 shows that while average marketing fees stayed similar to the previous years, the average actual production cost went up by KRW 0.57 billion over the previous year’s level (KRW 7.33 billion) to KRW 7.90 billion.

Since total production cost figures alone do not paint an effective picture of change in production size, 〈Table 65〉 has divided the actual production cost into five ranges to compare the number of films and average cost of production for each section. 2017

Table 64 • Average Production Cost of Korean Commercial Films Released in 2014–2018

Classification	No. of Films	Actual Production Cost (a)		Marketing Cost (a)		Total Production Cost (a + b)
		Average Actual Production Cost (in KRW 100 million)	Ratio (%)	Average Marketing Cost (in KRW 100 million)	Ratio (%)	Average Total Production Cost (in KRW 100 million)
2014	67	35.5	69.8	15.4	30.2	50.9
2015	70	37.4	69.9	16.1	30.1	53.5
2016	78	33.3	71.3	13.4	28.7	46.7
2017	37	73.3	74.9	24.5	25.1	97.8
2018 (Informal Survey)	40	79.0	76.4	24.4	23.6	103.4

※ Films ‘exceeding KRW 1 billion in total production cost’ or films ‘screened in more than 100 theaters at its highest point’ were used as standards until 2016. In 2017, a new criterion of ‘films exceeding KRW 3 billion in actual production cost’ was introduced to reflect the rising trend of production costs .

※ Annual data up until 2017 were drawn from statistical data collected from 〈Status and Insight〉, while 2018’s data was collected from informal surveys.

added the new category of ‘Above KRW 10 billion’ in order to reflect the increasing production cost of Korean films, and 2018 also adds a further category of ‘KRW 10~15 billion’ to reflect the continuation in this trend. There were 4 films that had more than KRW 15 billion in actual production cost in 2018, 1 more than the previous year, but what is more notable is that films with an actual production cost exceeding KRW 8 billion (including KRW 10~15 billion and 15 billion and above sections) increased significantly to 16 compared to the previous year’s

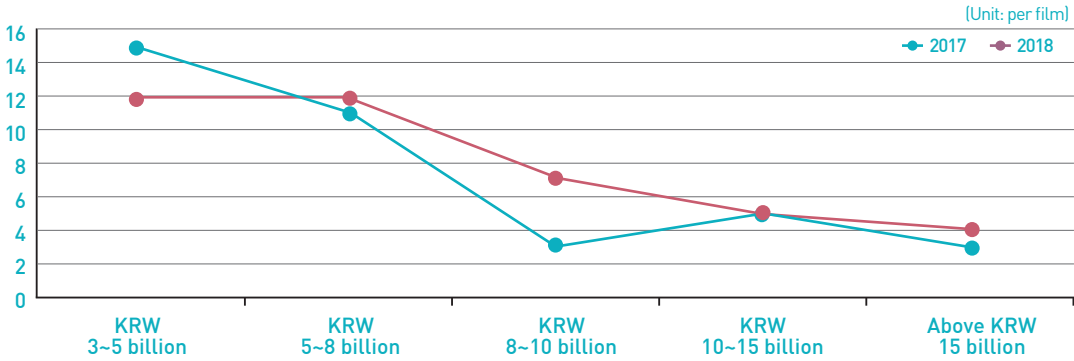
levels (11). Furthermore, films in the KRW 3~5 billion group had an average actual production cost of KRW 3.81, which reflects a decrease of KRW 0.41 billion from the previous year (KRW 4.22 billion), but the actual production cost of other sections increased across the board. This suggests that the increase of production costs outside the lower-mid budget range accounted for the general increase in total production costs for 2018.

Table 65 • Comparison in Number of Korean Commercial Films in 2017–2018 per Cost Range

Classification	2017		2018 (estimate)	
	No. of Films	Average Actual Production Cost	No. of Films	Average Actual Production Cost
Above KRW 15 billion	3	18.21 billion	4	18.57 billion
KRW 10~15 billion	5	12.41 billion	5	12.63 billion
KRW 8~10 billion	3	8.61 billion	7	8.63 billion
KRW 5~8 billion	11	5.93 billion	12	6.06 billion
KRW 3~5 billion	15	4.22 billion	12	3.81 billion
Total	37	7.33 billion	40	7.9 billion

※ 2017 data was drawn from statistical data collected from the 2017 <Status and Insight>, while 2018’s data was collected from informal surveys.

Figure 22 • Comparison in Number of Korean Commercial Films in 2017–2018 per Cost Range



3) Estimated ROI of Korean ‘Commercial Films’

2018 Korean ‘Commercial Film’ Estimated ROI⁴⁷⁾ Calculation

<Analysis of Profitability on the Korean Films>, which is released at the beginning of every year, includes estimated ROI on the Korean commercial films released in the previous year. The calculation method is as follows:

● **Calculating Korean ‘Commercial Film’ ROI**
= [Total revenue (film rental revenue + external revenue) - total cost (fees and others + actual production cost + P&A cost)] ÷ [Total production cost (actual production cost + P&A cost)]

Estimated ROIs, which are presented in this report, are based on the total actual production costs and P&A costs identified through the informal survey and admissions statistics from KOBIS. To this figure the average rental revenue per attendance, ratio of fees and incentives to total revenue, and the ratio of theater revenue to total revenue are applied for the final calculation in the <Analysis of Profitability on the Korean Films> report, which is presented below:

- **Formula for Estimating Estimated ROI of ‘Commercial Korean Films’ in 2018**
▷ Target : 40 Korean ‘commercial films’ with more than KRW 3 billion production cost
▷ Data : Actual production cost total by film, P&A costs, and admissions figures from KOBIS
▷ Estimates for 2018 Film Rental Revenue
 [Formula] Total admissions for 40 Korean ‘commercial films’ (88.23 million) x average film rental revenue per attendance for 37 Korean ‘commercial films’ in 2017 (KRW 3,514) ÷ KRW 310 billion (admissions figure based on KOBIS, 2019/01/22)
▷ Non-theatrical sales for 2018 is estimated by applying the ratio of 78.18 : 21.82 = film rental revenue : non-theatrical sales, which was calculated during the 2017 analysis, to 2018 estimates
 [Formula] Non-theatrical sales estimate = Film rental revenue estimate (KRW 31.10 billion) × (21.82 ÷ 78.18) ÷ KRW 86.5 billion

⁴⁷⁾ Because this estimate of film revenue is based on figures presented by the 2017 <Status and Insight>, the figures presented in this estimate may differ from the official figures released as a part of the 2018 <Status and Insight>. The results can be affected by the average film rental fee per viewer, the ratio of film rental revenue to other sales, and additional expenses like incentives [for other factors, please refer to the “Causes of Difference between Estimated and Actual ROI for Korean Commercial Films” at the end of this report.].

The average Estimated ROIs for Korean ‘commercial films’ with more than KRW 3 billion in actual production cost for 2018 was estimated to be -17.3%. While the final average ROI calculated from the 2017 <Analysis of Profitability on the Korean Films> report (37 films with actual production cost of more than KRW 3 billion) reached 18.0%, 2018’s estimate dropped for the first time since 2011 below zero and the lowest since 2008’s average ROI at -43.5%.

There were 13 films out of 40 that managed to surpass the break-even point, and only 3 films among them reached ROI above 100%. This was a remarkable decline from the previous year’s levels (5), further exacerbated by the increase in the number of films that had less than a -50% ROI (11 in 2017 to 17 in 2018). Because the size of total production costs between the 40 ‘commercial films’ vary quite wildly, the

average ROI alone cannot be sufficient in identifying the main cause of declining ROI. Thus, these films were divided by the size of their total production costs into five ranges to compare the number of films and average cost of production for each section. <Table 68> shows that while 2017 saw films at the upper end of the total production cost having much greater ROI and BEP satisfaction rates, 2018’s data shows that profit rates for films in the KRW 10~15 billion bracket and more than the 15 billion brackets amounted to -43.3% and -23.7%, much lesser than the average

of -17.3%. The highest bracket of more than KRW 15 billion in production cost had the average total production cost of KRW 19.18 billion, which represents an increase of KRW 0.79 billion from the previous year (KRW 18.39 billion), while their average ROI dropped to -23.7% from the previous year’s average (42.2%). This lackluster performance of blockbusters is thought to be the main driving force behind the general decline of average ROI.

Table 66 • Korean ‘Commercial Film’ ROI in 2012–2018

(Unit: in million KRW)

Classification	2012	2013	2014	2015	2016	2017	2018 (Estimate)
Total Revenue (a)	438,458	501,783	424,385	454,884	506,442	494,721	396,590
Total Production Cost (b)	325,419	369,485	340,951	374,582	364,122	361,820	413,962
Fees and Other Costs (c)	61,454	70,137	57,433	65,363	78,127	67,659	54,254
Total Profit (d=a-b-c)	51,585	62,161	26,001	14,939	64,193	65,243	-71,626
Average ROI (d/b)	15.9%	16.8%	7.6%	4.0%	17.6%	18.0%	-17.3%
No. of Films	70	63	67	70	78	37	40

※ Profit rate analysis focused on films ‘exceeding KRW 1 billion in total production cost’ or films ‘screened in more than 100 theaters at its highest point’ until 2016. In 2017, a new criterion of ‘films exceeding KRW 3 billion in actual production cost’ was introduced to reflect the rising trend of production costs.

※ Data for 2012-2017 were derived from <Analysis of Profitability on the Korean Films> reports for each year. Because the informal survey for 2018 does not account for the priority payments made upon revenue (incentives, fees, and others), estimates for 2018 were obtained with the previous year’s ratio of such fees (13.68%) to the total revenue and the data from the KOBIS.

Figure 23 • Korean ‘Commercial Film’ (Estimated) ROI Trend in 2012–2018

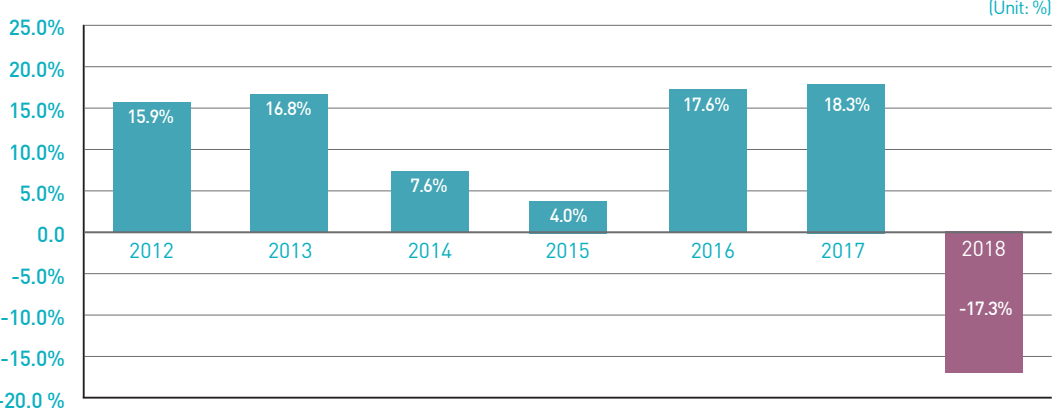


Table 67 • (Estimated) ROI for Korean ‘Commercial Films’ in 2017–2018

Classification		2017	2018 (estimate)	Remarks
No. of Films Included		37	40	
Total Production Cost (A)	Average Actual Production Cost	7.33 billion	7.9 billion	
	Average Marketing Cost	2.45 billion	2.44 billion	
	Total	9.78 billion	10.35 billion	
Average Total Revenue (B)		11.54 billion	8.56 billion	
Average Profit (C = B-A)		1.76 billion	-1.79 billion	
Average ROI		18.0%	-17.3%	
No. of Films above Break-even Point (BEP)		15	13	
Ratio of Films above Break-even Point (BEP)		41.7%	32.5%	
No. of Films with more than 50% ROI		10	7	Includes films with more than 100% ROI
Ratio of Films with more than 50% ROI		27.8%	17.5%	Includes films with more than 100% ROI
No. of Films with more than 100% ROI		5	3	
Ratio of Films with more than 100% ROI		13.9%	7.5%	
No. of Films with less than -50% ROI		11	17	Includes films with less than -90% ROI
Ratio of Films with less than -50% ROI		30.6%	42.5%	Includes films with less than -90% ROI
No. of Films with less than -90% ROI		0	1	
Ratio of Films with less than -90% ROI		0.0%	2.5%	

※ 2017 data was drawn from statistical data collected from the 2017 <Analysis of Profitability on the Korean Films>, and as such differs from the data presented in <Table 80> of the 2017 <Status and Insight: Korean Film Industry>.

Table 68 • (Estimated) ROI for Korean ‘Commercial Films’ in 2017–2018 per Total Production Cost Range

Classification	2017				2018 (estimate)			
	No. of Films	No. of Films over BEP	Average Total Production Cost	Average ROI	No. of Films	No. of Films over BEP	Average Total Production Cost	Average ROI
Above KRW 15 billion	7	4	18.39 billion	42.2%	8	1	19.18 billion	-23.7%
KRW 10~15 billion	5	2	11.61 billion	21.0%	9	1	11.22 billion	-43.3%
KRW 8~10 billion	6	2	9.75 billion	-12.9%	7	4	8.78 billion	11.3%
KRW 5~8 billion	19	7	6.49 billion	4.4%	14	7	6.35 billion	5.9%
KRW 3~5 billion	0	-	-	-	2	0	4.55 billion	-42.1%
Total	37	15	9.78 billion	18.0%	40	13		-17.3%

※2017 data was drawn from statistical data collected from 2017 〈Analysis of Profitability on the Korean Films〉, and as such differs from the data presented in 〈Table 82〉 of the 2017 〈Status and Insight: Korean Film Industry〉.

Since total production cost figures alone do not paint an effective picture of change in production size, these films were divided by the size of their total production cost into five ranges to compare the number of films and average cost of production for each section. 〈Table 69〉 shows that there were 5 films belonging to the KRW 10~15 billion brackets, same as the previous year, and the number of films in the KRW 15 billion or more bracket increased to 4 from previous year’s levels (3). This shows that the number of high-budget films are continuing to increase even beyond their 2017 levels. However, in 2017, 4 out of 5 films in KRW 10~15 billion brackets exceeded their break-even point with much greater profit, while 1 out of 3 films with more than KRW 15 billion budget exceeded its ROI by more than 100%, helping to increase the average for that section. 2018, on the other hand, had all 5 films in KRW 10~15 billion brackets failing to exceed their break-even point. The average ROI for the section stood at -62.7%, which was the lowest out of five sections. Films with more than a KRW 15 billion budget had

the highest average ROI, but this is attributed to one of the 4 films exceeding its break-even point by more than 100%. 2018 continued the strong performance of films between KRW 3~5 billion from the previous year. There were 5 out of 12 films that exceeded their break-even point with an average ROI at 1.6%, generating a positive profit for two years in a row. Films in the KRW 5~8 billion brackets also performed quite well: 6 out of 12 films exceeded their break-even point, making the KRW 5~8 billion bracket the one with the highest number of films exceeding the break-even point, and 3 out of 6 films exceeded the break-even point by more than 50%. The remainder also came close to 50% above the break-even point, painting a drastically different picture from the KRW 15 billion and above bracket by all films within the section being relatively successful in box office. The average ROI for Korean commercial films in 2018 stood at -17.3%, which returned the profit rate to

Table 69 •(Estimated) ROI for Korean ‘Commercial Films’ in 2017–2018 per Actual Production Cost

Classification	2017				2018 (estimate)			
	No. of Films	BEP Exceeding Films	Average Actual Production Cost (in KRW)	Average ROI	No. of Films	BEP Exceeding Films	Average Actual Production Cost (in KRW)	Average ROI
Above KRW 15 billion	3	1	18.21 billion	30.7%	4	1	18.57 billion	4.6%
KRW 10~15 billion	5	4	12.41 billion	52.9%	5	0	12.63 billion	-62.7%
KRW 8~10 billion	3	1	8.61 billion	23.8%	7	1	8.63 billion	-33.5%
KRW 5~8 billion	11	4	5.93 billion	-14.9%	12	6	6.06 billion	-1.1%
KRW 3~5 billion	15	5	4.22 billion	10.3%	12	5	3.81 billion	1.6%
Total	37	15	7.33 billion	18.0%	40	13	7.9 billion	-17.3%

*2017 data was drawn from statistical data collected from 2017 〈Analysis of Profitability on the Korean Films〉, and as such differs from the data presented in 〈Table 82〉 of the 2017 〈Status and Insight: Korean Film Industry〉.

its pre-2012 levels before the string of positive profits until 2017. This decline in ROI was also accompanied by the drop in Korean film box office share to 42.1% and the lowest ROI since 2008’s -43.5%. The largest cause of these developments was the lackluster performance of high-budget films at the box office. Since high-budget films tend to have greater sizes in production costs as well, they also tend to have much greater losses when compared to other lower-budget films with similar rates of losses. In 2018, the profit rates of these high-budget films plummeted, which dragged the rest of the profit rate down. Notably, while profit rates showed a decline from the previous year for lower and mid-budget films with KRW 3~5 billion or 5~8 billion in budget, they still continued their trend of mitigating the general decline in ROI as well. Such lower-mid budget films tend to have smaller costs of production and thus have less influence toward the general ROI than high-budget films. Their strength instead lies in the diversity of their genres, not in their box office performance. This is undoubtedly a very valuable

lesson for the film industry in general and an attractive guideline for financial investors in the market. At the end of the general trend toward the focus on high-budget films, 2018 culminated in a series of questions for the Korean film industry as a whole. While 2018’s high-budget films eliminated themselves in a zero-sum game around the trite patterns and established strategies, the memorable performance of mid-budget films based on their diversity of genres raise many messages for the industry’s plight. For financial investors, 2018’s risks could serve as a turning point toward a better system of information and development of attractive films, which could help to stabilize the film industry and guarantee the diversity of the Korean films in future.

※ Causes of Difference between Estimated and Actual ROI for Korean ‘Commercial Films’

While the profit rates of Korean ‘commercial films’ in 2017 were estimated at 4.7% for group A (films with more than KRW 1 billion budget or films that opened in more than 100 theaters in Korea) and 8.2% at group B (films with more than KRW 3 billion budget or films that opened in more than 300 theaters in Korea) in the 2017 <Status and Insight: Korean Film Industry> report (released on February 12th, 2018), this report provided the actual average ROI for 2017 as 18%.

There are some inevitable differences in the results of estimated and aggregate analyses because estimates are calculated based on survey data while aggregated figures are based on actual settlement statements. The causes of differences are summarized as follows.

● Change in films for profitability analysis

In 2017’s estimated analysis, 83 films and 56 films were assigned to groups A and B respectively, and the analysis made use of these films as such. However, profitability analysis later on was limited to films that

Table 70 • Estimated and Actual Revenues · costs of Korean ‘Commercial Films’ in 2017 and 2018

Classification			‘Commercial Films’ in 2017 Estimates	‘Commercial Films’ in 2017 Actual Amounts	‘Commercial Films’ in 2018 Estimates
Total Revenue	Film Rental Revenue ㉠		420,699,264,392 [119,925,674 × KRW 3,508]	386,758,662,590 [78.18%]	310,054,058,132 [88,233,938 × KRW 3,514]
	Non-theatrical Sales ㉡		116,866,879,733 (Theatrical: Non-theatrical = 78.26: 21.74)]	107,962,427,358 [21.82%]	86,535,936,920 (Theatrical: Non-theatrical = 78.18:21. 82)
	Subtotal (㉠+㉡)		537,566,144,125	494,721,089,948	396,589,995,052
Total costs	Total production cost	Actual production cost ㉢	305,287,608,492	271,131,587,731	316,291,860,760
		P&A ㉣	114,906,249,503	90,688,259,791	97,670,610,161
		Subtotal [㉢+㉣]	420,193,857,995	361,819,847,522	413,962,470,921
	Fees and Other Expenses ㉤		82,946,456,038 [Total Revenue × 15.43%]	67,658,506,748 [13.68% of Total Revenue]	54,253,511,323 [Total Revenue × 13.68%]
	Subtotal [㉢+㉣+㉤]		503,140,314,033	429,478,354,270	-71,625,987,192
ROI			8.2%	18.0%	-17.3%
No. of Films Surveyed			56	37	40

※ From 2016 onward, the Korean Film Council calculates estimated ROI (released at the beginning of N+1 year) and aggregate ROI (released at the beginning of N+2 year) based on total production cost in order to reflect the ratio of actual investment and profit.
※ 2017 estimates were based on group B (films with more than KRW 3 billion budget or films that opened in more than 300 theaters in Korea), while the actual figures were based on a new definition of ‘commercial films’ as ‘films with actual production cost of more than KRW 3 billion).

exceeded actual production costs of KRW 3 billion. Changes to the target of the analysis subsequently affected the final average ROI.

● Data accuracy of estimated analysis before settlements

At the beginning of the year when data is compiled via phone and e-mail, there are a considerable number of films whose first settlement has not yet been completed. In this case, most of the compiled figures are estimates, not actual statement amounts, and, therefore, additional expenses accrued in the future are not reflected. When having compared the production costs between estimated and aggregate analyses, there were films to which additional expenses were added in the process of production and distribution. Even among films in 2018, there could be changes in aggregate analysis if estimated figures are reflected in the survey because settlement wasn’t complete at the time.

● Average film rental revenue per viewer and other expenses including fees

In the ‘commercial film’ ROI survey, conducted concurrently to the informal production cost survey, film rental sales are calculated by multiplying the total admissions figure of Korean commercial films with the previous year’s average film rental sales per person. Consequently, a change in the film rental sales figure per person would mean that film rental sales as a whole would differ from the estimate. This is particularly significant as the average ticket cost rose by KRW 361 to KRW 8,286 in 2018 (KRW 7,989 in 2017), which is expected to have increased the overall film sales for this year. Furthermore, fees and other costs (including incentives) are also calculated by multiplying the ratio of previous year’s fees and other costs by the estimated total sales of the year, and thus may be different from the estimated costs later on.

As seen in the above, the profitability analysis of Korean films released at the beginning of every year is only an estimate, and it should be noted that data may differ from aggregate analysis. Likewise, the estimated profitability for Korean commercial films in 2018 included in this report may differ from the profitability in the aggregate analysis to be published in the future.



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STATUS & INSIGHT

**KOREAN FILM INDUSTRY
2018**